LIETUVOS ENERGIJA

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

25/11/2008 Ref. No SK-8705

STATEMENT OF THE RESPONSIBLE PERSONS

Abiding by the provisions of Article 22 of the Law on Securities of the Republic of Lithuania and by the Rules for the Drawing up and Submission of the Periodic and Additional Information of the Securities Commission of Lithuania, we, the undersigned Rimantas Šukys, Finance Director, and Sigitas Baranauskas, Chief Financier of Lietuvos Energija AB hereby confirm that, to the best of our knowledge, the interim financial statements for the nine month period of 2008, prepared in accordance with the International Financial Reporting Standards effective in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of Lietuvos Energija AB for the relevant period.

Enclosures: Lietuvos Energija AB Interim Financial Statements for the nine month period of 2008 ended on 30 September 2008.

Rimantas Šukys
Director of Finance Department

Sigitas Baranauskas
Chief Financier

Company code 220551550 VAT code LT205515515 Address: Žvejų g. 14, LT-09310 Vilnius LITHUANIA (LIETUVA)
Phone +370 5 262 68 22, 278 20 82, fax +370 5 212 67 36, e-mail: info@lietuvosenergija.lt, website: www.lietuvosenergija.lt
Register of Legal Entities administered by the State Enterprise Centre of Registers, V. Kudirkos g. 18, LT-03105 Vilnius

LIETUVOS ENERGIJA AB

INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008

TABLE OF CONTENTS

Interim Financial Statements signed on 30 October 2008

Darius Masionis
General Director

Sigitas Baranauskas
Chief Financier

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

	Notes	Group 30 September, 2008	Company 30 September, 2008	Group 31 December, 2007	Company 31 December, 2007
ASSETS					
Non-current assets:					
Intangible assets	4	3,563	3,484	5,105	5,003
Property, plant and equipment	5	2,571,266	2,545,701	2,569,054	2,544,042
Investments in subsidiaries	6	-	34,116	-	34,116
Investments in associates	6	24,146	23,631	21,040	20,625
Accounts receivable	7	670	670	1,978	1,978
Other financial assets		30	15	50	15
Total non-current assets		**2,599,675**	**2,607,617**	**2,597,227**	**2,605,779**
Non-current assets for sale		-	-	-	-
Current assets:					
Inventories	8	12,029	6,533	12,838	6,144
Prepayments		2,346	1,228	2,772	2,137
Trade receivables	9	221,973	210,581	121,370	105,067
Other receivables	10	20,045	19,847	11,805	11,485
Other assets		-	-	3	-
Term deposits	11	-	-	150	-
Cash and cash equivalents	12	43,411	42,068	18,318	14,566
Total current assets		**299,804**	**280,257**	**167,256**	**139,399**
TOTAL ASSETS		**2,899,479**	**2,887,874**	**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		66,526	69,799	47,335	48,911
Foreign currency translation reserve		(4)	-	(2)	-
Equity attributable to equity holders of the Parent		**2,281,416**	**2,279,840**	**2,212,367**	**2,210,041**
Minority interest		1	-	1	-
Total equity		**2,281,417**	**2,279,840**	**2,212,368**	**2,210,041**
Non-current liabilities:					
Borrowings	16	13,811	13,811	61,903	61,903
Issued bonds	17	25,896	25,896	25,896	25,896
Obligations under finance leases	18	600	-	-	-
Grants	19	46,523	46,488	36,669	36,617
Revenues in upcoming periods		13,280	13,280	13,620	13,620
Other non-current payables and liabilities	20	1,450	1,450	1,450	1,450
Deferred income tax liabilities	23	202,959	202,585	208,486	208,129
Total non-current liabilities		**304,519**	**303,510**	**348,024**	**347,615**
Current liabilities:					
Borrowings	16	-	-	2,022	2,022
Obligations under finance leases	18	287	-	118	-
Trade debts	21	245,063	239,896	156,178	145,304
Advance payments received		30,860	29,017	23,266	20,013
Current income tax liabilities		6,230	6,182	4,237	4,104
Other payables and liabilities	22	31,103	29,429	18,270	16,079
Total current liabilities		**313,543**	**304,524**	**204,091**	**187,522**
Total liabilities		**618,062**	**608,034**	**552,115**	**535,137**
TOTAL EQUITY AND LIABILITIES		**2,899,479**	**2,887,874**	**2,764,483**	**2,745,178**

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

INCOME (LOSS) STATEMENTS

For the period ended 30 September 2008

All amounts are in LTL thousand, unless stated otherwise

Group	Notes	2008 July-September	2007 July-September	2008 January-September	2007 January-September
Income					
Income from sales	24	491,953	317,181	1,125,282	835,107
Other operating income	25	16,867	24,205	60,676	62,311
		508,820	**341,386**	**1,185,958**	**897,418**
Operating expenses					
Procurement of electricity or related services		(419,980)	(246,113)	(855,312)	(597,416)
Depreciation and amortization		(34,522)	(36,809)	(103,029)	(109,403)
Payroll and related expenses		(17,874)	(17,724)	(58,684)	(52,346)
Maintenance and operation expenses		(7,529)	(11,225)	(24,036)	(26,352)
Other expenses		(20,108)	(21,925)	(61,870)	(59,785)
Total operating expenses		**(500,013)**	**(333,796)**	**(1,102,931)**	**(845,302)**
OPERATING PROFIT (loss)		**8,807**	**7,590**	**83,027**	**52,116**
Finance income	26	573	143	1,061	459
Finance costs	27	269	(1,551)	(1,297)	(4,654)
Net results (loss) of associates		(353)	79	(959)	(224)
Operating income (loss) at face value		489	(1,329)	(1,195)	(4,419)
PROFIT BEFORE INCOME TAX		**9,296**	**6,261**	**81,832**	**47,697**
Income tax costs of the reporting year	23	(3,065)	(3,753)	(18,308)	(17,142)
Deferred revenue tax income (cost)	23	1,630	2,566	5,527	8,298
NET PROFIT		**7,861**	**5,074**	**69,051**	**38,853**
ATTRIBUTABLE TO:					
Equity holders of the Parent		7,861	5,074	69,051	38,853
Minority interest					
Basic and diluted earnings per share (LTL)	29	**0.02**	**0.03**	**0.10**	**0.06**

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

INCOME (LOSS) STATEMENTS
For the period ended 30 September 2008
All amounts are in LTL thousand, unless stated otherwise

Company	Notes	2008 July-September	2007 July-September	2008 January-September	2007 January-September
Income					
Income from sales	24	491,953	317,181	1,125,282	835,107
Other operating income	25	7,274	5,800	18,997	16,590
		499,227	**322,981**	**1,144,278**	**851,697**
Operating expenses					
Procurement of electricity or related services		(419,980)	(246,113)	(855,312)	(597,416)
Depreciation and amortization		(34,139)	(36,359)	(101,680)	(108,290)
Payroll and related expenses		(13,477)	(11,756)	(43,342)	(36,884)
Maintenance and operation expenses		(8,426)	(11,521)	(25,025)	(26,955)
Other expenses		(13,853)	(10,135)	(35,766)	(31,099)
Total operating expenses		**(489,875)**	**(315,884**	**(1,061,125)**	**(800,644)**
OPERATING PROFIT (loss)		**9,352**	**7,097**	**83,154**	**51,053**
Finance income	26	546	100	1,601	787
Finance costs	27	(63)	(1,464)	(2,299)	(4,861)
Operating income (loss) at face value		**483**	**(1,364)**	**(698)**	**(4,074)**
PROFIT BEFORE INCOME TAX		**9,835**	**5,733**	**82,456**	**46,979**
Income tax expense of the reporting year	23	(3,118)	(3,630)	(18,201)	(16,787)
Income (loss) from deferred income tax	23	1,661	2,552	5,544	8,253
		8,378	**4,655**	**69,799**	**38,445**
ATTRIBUTABLE TO:					
Equity holders of the Parent	29	**8,378**	**4,655**	**69,799**	**38,445**
Minority interest					

STATEMENTS OF CHANGES IN EQUITY
For the period ended 30 September 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		-	-	-	-	38,853	-	38,853	-	38,853
Balance as of 30 September, 2007		**689,515**	**3**	**70,732**	**1,404,922**	**37,663**	**(6)**	**2,202,829**	**1**	**2,202,830**
Transfers to reserves	15	-	-	-	-	-	-	-	-	-
Reserves used	15	-	-	(2)	(136)	138	-	-	-	-
Net profit for the period		-	-	-	-	9,534	-	9,534	-	9,534
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		-	-	-	-	69,051	-	69,051	-	69,051
Equity adjustment arising on translation of foreign operations		-	-	-	-	-	(2)	(2)	-	(2)
Balance as of 30 September, 2008		**689,515**	**3**	**70,794**	**1,454,582**	**66,526**	**(4)**	**2,281,416**	**1**	**2,281,417**

(Continued on the following page)

STATEMENTS OF CHANGES IN EQUITY
For the period ended 30 September 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		-	-	-	-	38,445	**38,445**
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 September, 2007		**689,515**	**3**	**68,952**	**1,402,660**	**40.005**	**2,201,135**
Net profit for the period		-	-	-	-	8,906	8,906
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		-	-	-	-	69,799	**69,799**
Balance as of 30 September, 2008		**689,515**	**3**	**68,952**	**1,451,571**	**69,799**	**2,279,840**

(Concluded)

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

STATEMENTS OF CASH FLOWS
For the period ended 30 September 2008
All amounts in LTL thousand, unless stated otherwise

	Group January – September 2008	Company January – September 2008	Group January – September 2007	Company January – September 2007
Net profit	69,051	69,799	38,853	38,445
Adjustments for non-cash expense (income) items and other adjustments				
Depreciation and amortization	104,521	102,999	110,396	108,956
Change in deferred income tax liabilities	(5,527)	(5,544)	(8,297)	(8,253)
Impairment of assets	(1,408)	(1,408)	216	216
Income and social tax expense	18,308	18,201	17,142	16,786
Income from grants	(1,336)	(1,319)	(684)	(666)
Profit (loss) from disposal of non-current assets (excluding financial assets)	741	742	375	416
Elimination of results of financial and investing activities:				
- Dividends	-	(633)	-	(413)
- Foreign currency exchange loss, net	(8)	(8)	274	270
- Finance costs	1,209	1,180	4,206	4,194
- Finance income	(979)	(925)	(400)	(355)
- Loss from derivatives				
- Loss (gain) from other financial activities	(25)	35	91	95
Changes in working capital				
(Increase) decrease in inventories	854	(343)	755	52
(Increase) decrease in prepayments	589	909	939	1,090
(Increase) decrease in trade receivables	(97,374)	(102,290)	(80,755)	(74,896)
Decrease in other receivables	(15,255)	(15,385)	212	203
Decrease (increase) in other current assets	2,392	2,402	(113)	(84)
Increase (decrease) in current trade payables and advances received	98,425	103,599	79,611	81,569
Increase (decrease) in payroll related liabilities	2,011	2,477	2,607	1,784
Increase in other accounts payable	8,559	11,300	11,753	6,499
Interest paid	(1,601)	(1,572)	(3,437)	(3,425)
Income tax paid	(16,035)	(15,842)	(15,053)	(14,847)
Net cash flows from operating activities	***167,112***	***168,374***	***158,691***	***157,636***
Cash flows from / (to) investing activities				
Purchases of property, plant and equipment and intangible assets	(93,203)	(92,781)	(108,761)	(108,555)
Proceeds on disposal of property, plant and equipment and intangible assets	45	-	796	810
Loan repayments received	1,524	1,524	6,037	6,037
Term deposits				
Acquisition of investments	(1,020)	(1,020)	-	(802)
Loans granted				
Proceeds on disposal of investments			886	886
Dividends received		633	-	413
Interest received	1,005	966	379	335
Net cash flows to investing activities	***(91,649)***	***(90,678)***	***(100,663)***	***(100,876)***
Cash flows from / (to) financing activities				
Proceeds from borrowings	24,066	24,066	245,460	245,460
Proceeds from issuance of bonds				
Bonds redeemed				
Repayments of borrowings	(74,180)	(74,180)	(277,667)	(277,667)
Repayments of obligations under finance leases	(176)		(199)	
Dividends paid	(45)	(45)	(8,080)	(8,080)
Realized derivative financial instruments			(63)	(63)
Other gain	(35)	(35)	(32)	(32)
Net cash flows to financing activities	***(50,370)***	***(50,194)***	***(40,581)***	***(40,382)***
Net cash increase (decrease)	**25,093**	**27,502**	**17,447**	**16,378**
Cash and cash equivalents at the beginning of the period	**18,318**	**14,566**	**4,938**	**1,357**
Cash and cash equivalents at the end of the period	**43,411**	**42,068**	**22,385**	**17,735**

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 on 04 December 1995. 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 September 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. Immediately after that, 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 and Lietuvos Energija AB. The main shareholder of Lietuvos Energija AB is LEO LT, AB (the "Patronizing Company") as of 30 September 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 September 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 nine-month period of the year 2008 include the consolidated Lietuvos Energija AB and its subsidiaries' interim financial statements and the 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 30 September, 2008 (LTL)	Main activity
Energetikos Pajėgos UAB	T.Masiulio g. 16d, Kaunas, Lithuania	100%	430,400	232,779	790,692	Design of energy projects
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100%	31,340,763	(55,658)	36,008,215	Repair of energy equipment, manufacture of metal constructions
Kruonio Investicijos UAB	Kruonio II k., Kaišiadorių raj., Lithuania	100%	2,361,000	(56,558)	2,249,244	Development of public, recreational objects
Gotlitas UAB	R.Kalantos g. 119, Kaunas, Lithuania	100%	1,450,000	(601)	1,459,791	Accommodation services, trading activities
Kaliningradskij energoremont OOO	Jaltinskaya str. 66, Kaliningrad, Russia	99%	951 (9,900 RUB	(56,592)	64,112	Repair of energy equipment

(Continued on the following page)

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 September 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 on the following page)

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 September 2008			31 December 2007		
1 EUR	=	3.4528 LTL	1 EUR	=	3.4528 LTL
1 LVL	=	4.8742 LTL	1 LVL	=	4.9567 LTL
100 RUB	=	9.4956 LTL	100 RUR	=	9.6085 LTL
10 SEK	=	3.5586 LTL	10 SEK	=	3.6437 LTL
1 USD	=	2.3974 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 nine-month period of 2008 were 689,515,435. As of 30 September 2008 and 31 December 2007 and in the nine-month period of 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 September 2008 and 31 December 2007 there were no indications that property, plant and equipment were impaired.

4. ***Intangible assets***

As of 30 September 2008 and 31 December 2007, the Group's non-current intangible assets consisted of the following:

Group	Patents and licenses	Software	Other intangible assets	Total
Acquisition cost				
as of 31 December 2006	**2,329**	**16,698**	**43**	**19,070**
- additions	5	530	5	540
- disposals (-)	-	(12)	-	(12)
As of 30 September 2007	**2,334**	**17,216**	**48**	**19,598**
As of 31 December 2007	**2,337**	**17,634**	**36**	**20,007**
- additions	-	322	-	322
- disposals (-)	-	(20)	-	(20)
As of 30 September 2008	**2,337**	**17,936**	**36**	**20,309**
Amortization				
as of 31 December 2006	**1,051**	**11,183**	**14**	**12,248**
- amortization	505	1,573	6	2,084
- disposals (-)	-	(12)	-	(12)
As of 30 September 2007	1,556	12,744	20	14,320
As of 31 December 2007	**1,714**	**13,173**	**15**	**14,902**
- amortization	383	1,475	6	1,864
- disposals (-)	-	(20)	-	(20)
As of 30 September 2008	**2,097**	**14,628**	**21**	**16,746**
Carrying amount				
As of 31 December 2007	**623**	**4,461**	**21**	**5,105**
As of 30 September 2008	**240**	**3,308**	**15**	**3,563**

As of 30 September 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	-	529	-	529
- disposals (-)	-	(12)	-	(12)
as of 30 September 2007	**2,277**	**17,142**	**7**	**19,426**
as of 31 December 2007	**2,277**	**17,501**	**-**	**19,778**
- additions	-	303	-	303
- disposals (-)	-	(20)	-	(20)
as of 30 September 2008	**2,277**	**17,784**		**20,061**
Amortization				
as of 31 December 2006	**1,019**	**11,132**	**7**	**12,158**
- amortization	494	1,561	-	2,055
- disposals (-)	-	(12)	-	(12)
as of 30 September 2007	**1,513**	**12,681**	**7**	**14,201**
as of 31 December 2007	**1,667**	**13,108**	**-**	**14,775**
- amortization	370	1,452	-	1,822
- disposals (-)	-	(20)	-	(20)
as of 30 September 2008	**2,037**	**14,540**		**16,577**
Carrying amount				
as of 31 December 2007	**610**	**4,393**	**-**	**5,003**
as of 30 September 2008	**240**	**3,244**		**3,484**

As of 30 September 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 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Patents and licenses	809	809	555	555
Software	11,847	11,801	9,521	9,478
Other intangible assets	-	-	-	-
Total	**12,656**	**12,610**	**10,076**	**10,033**

5. ***Property, plant and equipment***

As of 30 September 2008 and 31 December 2007 the Group's property, plant and equipment was as follows:

Group	Land	Buildings and structures	Machinery and equipment	Vehicles	Other equipment, tools and devices	Construction in progress	Other PPE	Total
Acquisition (deemed) cost								
as of 31 December 2006	-	**2,432,760**	**297,432**	**22,749**	**123,615**	**95,598**	**37,101**	**3,009,255**
- additions	84	4,760	2,002	1,843	1,879	95,338	11,525	117,431
- disposals (-)	-	(1,923)	(1,876)	(152)	(750)	(9)	-	(4,710)
- reclassifications +/(-)	-	42,403	7,700	-	4,283	(26,978)	(27,408)	-
as of 30 September 2007	**84**	**2,478,000**	**305,258**	**24,440**	**129,027**	**163,949**	**21,218**	**3,121,976**
as of 31 December 2007	**84**	**2,490,169**	**311,148**	**24,893**	**135,006**	**198,475**	**11,586**	**3,171,361**
- additions	35	389	3,077	1,417	2,453	96,754	1,725	105,850
- disposals (-)	-	(2,181)	(287)	(171)	(223)	-	-	(2,862)
- reclassifications +/(-)	-	34,331	4,515	-	13,598	(46,185)	(6,259)	-
as of 30 September 2008	**119**	**2,522,708**	**318,453**	**26,139**	**150,834**	**249,044**	**7,052**	**3,274,349**
Depreciation								
as of 31 December 2006	-	**332,444**	**59,456**	**12,161**	**55,384**	-	**254**	**459,699**
- depreciation	-	75,636	15,157	2,386	15,133	-	61	108,373
- disposals (-)	-	(573)	(1,784)	(146)	(644)	-	-	(3,147)
as of 30 September 2007	-	**407,507**	**72,829**	**14,401**	**69,873**	-	**315**	**564,925**
as of 31 December, 2007	-	**432,292**	**77,846**	**14,796**	**74,560**		**336**	**599,830**
depreciation	-	71,797	14,841	2,360	13,594	-	65	102,657
disposals (-)	-	(1,278)	(261)	(122)	(220)	-	-	(1,881)
30 September 2008	-	**502,811**	**92,426**	**17,034**	**87,934**	-	**401**	**700,606**
Impairment								
as of 31 December 2006	-	**1,218**	-	-	-	-	-	**1,218**
- impairment	-	-	-		-	-	-	-
- disposals (-)	-	(30)	-	-	-	-	-	(30)
as of 30 September 2007	-	**1,188**	-	-	-	-	-	**1,188**
as of 31 December 2007	-	**1,381**	**369**	-	**727**	-	-	**2,477**
impairment for the year	-	-	-	-	-	-	-	-
disposals (-)	-	-	-	-	-	-	-	-
as of 30 September 2008	-	**1,381**	**369**	-	**727**	-	-	**2,477**
Carrying amount								
as of 31 December 2007	84	2,056,496	232,933	10,097	59,719	198,475	11,250	2,569,054
as of 30 September 2008	119	2,018,516	225,658	9,105	62,173	249,044	6,651	2,571,266

(Continued on the following page)

5. ***Property, plant and equipment (continued)***

As of 30 September 2008 and 31 December 2007, the Company's property, plant and equipment consisted of the following:

Company	Land	Buildings and structures	Machinery and equipment	Vehicles	Other equipment, tools and devices	Construction in progress	Other PPE	Total
Acquisition (deemed) cost								
as of 31 December 2006	-	**2,414,303**	**287,709**	**20,482**	**123,316**	**96,148**	**36,234**	**2,978,192**
- additions	84	4,255	1,705	1,729	1,868	95,620	11,520	116,781
- disposals (-)	-	(1,590)	(1,754)	(138)	(751)	(9)	-	(4,242)
- reclassifications +/(-)	-	42,405	7,699	-	4,283	(26,978)	(27,409)	-
as of 30 September 2007	**84**	**2,459,373**	**295,359**	**22,073**	**128,716**	**164,781**	**20,345**	**3,090,731**
as of 31 December 2007	**84**	**2,471,233**	**300,671**	**22,509**	**134,695**	**200,070**	**10,690**	**3,139,952**
- additions	35	11	1,916	1,356	2,435	96,329	1,692	103,774
- disposals (-)	-	(2,174)	(50)	(85)	(223)	-	-	(2,532)
- reclassifications +/(-)	-	34,405	4,515	-	13,598	(46,259)	(6,259)	-
as of 30 September 2008	**119**	**2,503,475**	**307,052**	**23,780**	**150,505**	**250,140**	**6,123**	**3,241,194**
Depreciation								
as of 31 December 2006	-	**331,229**	**56,930**	**11,479**	**55,208**	-	**106**	**454,952**
- depreciation	-	75,278	14,352	2,160	15,084	-	26	106,900
- disposals (-)	-	(566)	(1,672)	(133)	(644)	-	-	(3,015)
as of 30 September 2007	-	**405,941**	**69,610**	**13,506**	**69,648**	-	**132**	**558,837**
as of 31 December, 2007	-	**430,684**	**74,380**	**13,918**	**74,321**	-	**141**	**593,444**
- depreciation	-	71,494	13,973	2,125	13,560	-	26	101,178
- disposals (-)	-	(1,278)	(47)	(50)	(220)	-	-	(1,595)
30 September 2008	-	**500,900**	**88,306**	**15,993**	**87,661**		**167**	**693,027**
Impairment								
as of 31 December 2006	-	**1,207**	-	-	-	-	-	**1,207**
- impairment	-	-	-	-	-	-	-	-
- disposals (-)	-	(30)	-	-	-	-	-	(30)
as of 30 September 2007	-	**1,177**	-	-	-	-	-	**1,177**
as of 31 December 2007	-	**1,369**	**369**	-	**728**	-	-	**2,466**
- impairment for the year	-	-	-	-	-	-	-	
- disposals (-)	-	-	-	-	-	-	-	-
as of 30 September 2008	-	**1,369**	**369**	-	**728**	-	-	**2,466**
Carrying amount								
as of 31 December 2007	**84**	**2,039,180**	**225,922**	**8,591**	**59,646**	**200,070**	**10,549**	**2,544,042**
as of 30 September 2008	**119**	**2,001,206**	**218,377**	**7,787**	**62,116**	**250,140**	**5,956**	**2,545,701**

During nine months of 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
National DC and backup DC database's shifting to ORACLE	8,011
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 at 110/35/10 kV Kėdainiai substation	895,1
Construction of warehouse at Jonava transformer substation	539,2
Installation of Commercial metering at 110/10 kV Marvelė substation	478,9

(Continued on the following page)

5. Property, plant and equipment (continued)

As of 30 September 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 September 2008	31 December 2007
Machinery and equipment	1,938	1,196
Vehicles	128	102
Total	**2,067**	**1,298**

As of 30 September 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 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Buildings and structures	68,619	68,603	51,432	51,415
Machinery and equipment	12,436	12,280	11,388	11,223
Vehicles	9,430	9,355	8,246	8,137
Other equipment, tools and devices	33,183	33,022	19,712	19,634
Total	**123,668**	**123,260**	**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 48,504 and EUR'000 23,703 (total amount LTL'000 130,346) 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 September 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. The joint venture was registered on 08 August 2008.

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

Company 30 September 2008	Acquisition cost	Ownership percentage	Impairment	Carrying amount
Geoterma UAB	4,994	23.44	1,361	3,633
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**		**1,361**	**23,631**

(Continued)

6. Investments (continued)

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

Group 30 September 2008	Acquisition cost	Ownership percentage	Impairment	Carrying amount
Geoterma UAB	4,994	23.44	(1,361)	3,633
Nordic Energy Link AS	18,978	25.00	416	19,394
Enmašas UAB	20	33.33	79	99
LitPol Link Sp.z.o.o	1,020	50.00		1,020
Total	**25,012**		**(866)**	**24,146**

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

Financial position as of 30 September 2008 and net profit (loss) for the nine-month period of 2008 of the associates were the following:

Company 30 September 2008	Assets	Liabilities	Revenues	Net profit (loss)
Geoterma UAB	56,374	40,875	-	(4,435)
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 September 2008 and net profit (loss) for the period ended 30 September 2008 of the associates were the following:

Group 30 September 2008	Assets	Liabilities	Revenue	Net profit (loss)
Geoterma UAB*	56,374	40,875	-	(4,435)
Nordic Energy Link AS*				
LitPol Link Sp.z.o.o*				
Enmašas UAB	295	7	53	(30)

* 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 on the following page)

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

	Group 30 September 2008	Company 30 September 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)	1,364	1,364	(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	**24,146**	**23,631**	**21,040**	**20,625**

7. Non-current accounts receivable

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

	Group 30 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Accounts receivable from VST AB	-	-	1,500	1,500
Other receivables	693	693	777	777
Total	**693**	**693**	**2,277**	**2,277**
Less: current receivables (note 10)	(23)	(23)	(299)	(299)
Carrying amount	**670**	**670**	**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 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Materials and spare parts, production in progress and finished goods at acquisition (production) cost	11,940	6,482	12,760	6,053
Goods for resale at acquisition cost	179	141	560	487
Less: write-down to net realizable value	(90)	(90)	(482)	(396)
Carrying amount	**12,029**	**6,533**	**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 September 2008 and 31 December 2007, the movement of allowances for inventories consisted of the following:

	Group 30 September 2008	Company 30 September 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 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Receivables for electricity in Lithuania	222,273	210,556	119,294	102,656
Receivables for exported electricity	9,630	9,630	11,866	11,866
Receivables for electricity transit	7	7	157	157
Total	**231,910**	**220,193**	**131,317**	**114,679**
Less: allowance for doubtful receivables	(9,937)	(9,612)	(9,947)	(9,612)
Carrying amount	**221,973**	**210,581**	**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 September 2008 and 31 December 2007 consisted of the following:

	Group 30 September 2008	Company 30 September 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 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Deferred VAT receivable	15,195	15,195	2,961	2,961
Receivables for IT and telecommunication services	3,030	3,046	3,283	3,287
Loan to Geoterma UAB	-	-	3,222	3,222
Current portion of non-current receivables (note 7)	120	-	1,774	1,513
VAT receivable	23	23	299	299
Other receivables	1,677	1,583	266	203
Carrying amount at the end of the period	**20,045**	**19,847**	**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 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Not overdue	19,858	19,660	10,944	10,624
Overdue up to 30 days	146	146	609	609
Overdue from 30 to 60 days	41	41	252	252
Carrying amount	**20,045**	**19,847**	**11,805**	**11,485**

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

11. Term deposits

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

	Group 30 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Term deposit at Bank Snoras AB (LTL), maturity – July 2008	-	-	150	-
Carrying amount	**-**	**-**	**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 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Cash at banks and on hand	1,938	1,155	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 – December 2008.	360	-	360	-
Term deposit at bank Nordea Bank Finland Plc Lithuania's branch (LTL), maturity – October 2008.	36,083	36,083		
Term deposit at bank Snoras (LTL), maturity – December 2008.	200	-		
Overnight deposit at bank Hansabankas AB (LTL)	-	-	3,739	3,739
Overnight deposit at bank AS Uni Credit Bank, branch in Lithuania (LTL)	4,830	4,830		
Overnight deposit at bank Hansabankas AB (EUR)	-	-	912	912
Carrying amount	**43,411**	**42,068**	**18,318**	**14,566**

13.Share capital

As of 30 September 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. During nine months of 2008 the highest share price at the Stock Exchange session was LTL 4.83 per share, lowest – LTL 2.70 per share. The number of shareholders as of 30 September 2008 was 5,759.

Company shareholders were:

Shareholders	30 September 2008 Share capital (Lt)	30 September 2008 Share capital Proc.	31 December 2007 Share capital (Lt)	31 December 2007 Share capital Proc.
Lithuanian State, represented by Ministry of Economy of the Republic of Lithuania	664,700,833	96.40	-	-
Other	324,520	0.05	665,400,833	96.50
Total:	24,490,082	3.55	24,114,602	3.50
Lithuanian State, represented by Ministry of Economy of the Republic of Lithuania	**689,515,435**	**100.00**	**689,515,435**	**100.00**

14.Legal reserve

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

As of 30 September 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 September 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 September 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 September 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 September 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 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Within first year			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	**13,811**	**13,811**	**63,925**	**63,925**

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

Credit institution	Contractual amount (EUR'000)	Carrying amount (as of 30 September 2008) (EUR'000)	Maturity	Current portion (as of 30 September 2008)	Carrying amount as of 30 September 2008	Current portion (as of 31 December 2007)	Carrying amount as of 31 December 2007
Zurcher Kantonalbank	8,013					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**	**4,000**		**-**	**13,811**	**2,022**	**63,925**

The fair value of the borrowings approximates their carrying amount.

As of 30 September 2008 the Company had 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 was prohibited to pledge any assets or revenues to any third parties;The loan was repaid on 18 August 2008.

- Under 17 May 2002 agreement with bank Hansabankas AB (contractual amounts – LTL'000 9,000, EUR'000 3,185 and EUR'000 11,585) the Company 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.

During 9-month period of 2008 and in 2007, the Group and the Company complied with all covenants under the loan agreements.

17. 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 September 2008 was EUR'000 7,431 (LTL'000 25,658) (as of 31 December 2007 - EUR'000 7,409 (LTL'000 25,538).

18. Obligations under finance leases

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

	30 September 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	326	287	120	118
Within the second to fifth year inclusive	658	600	-	-
Minimum lease payments	**984**	**887**	**120**	**118**
Less: future finance charges	(97)	-	(2)	-
	887	**887**	**118**	**118**

The Company's obligations under finance leases are secured by the lessor's right to the leased assets (note 5).

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

19.Grants

For periods, ended 30 September 2008 and 31 December 2007, the movement of grants consisted of the following:

Group	Grants related to financing of assets acquisition	Total
Balance as of 31 December, 2006	**20,415**	**24,340**
- grants received	4,383	8,756
- grants used	(684)	(949)
Balance as of 30 September 2007	**24,114**	**32,147**
Balance as of 31 December 2007	**36,669**	**50,871**
- grants received	11,191	11,294
- grants used	(1,337)	(1,775)
Balance as of 30 September 2008.	**46,523**	**60,390**

Company	Grants related to financing of assets acquisition	Total
Balance as of 31 December, 2006	**20,340**	**24,265**
- grants received	4,383	8,756
- grants used	(667)	(932)
Balance as of 30 September 2007	**24,056**	**32,089**
Balance as of 31 December 2007	**36,617**	**50,819**
- grants received	11,191	11,294
- grants used	(1,320)	(1,758)
Balance as of 30 September 2008	**46,488**	**60,355**

20.Other non-current payables and liabilities

Group	Sums received in advance from new consumers	Iš viso
Balance as of 31 December 2007	**1,450**	**1,450**
- payables received	-	-
- payables used	-	-
Balance as of 30 September 2008	**1,450**	**1,450**

Company	Sums received in advance from new consumers	Iš viso
Balance as of 31 December 2007	**1,450**	**1,450**
- payables received	-	-
- payables used	-	-
Balance as of 30 September 2008	**1,450**	**1,450**

The current received advance payments, which will be recognized as income, received from new consumers are accounted in the Balance article „Received advance payments". As of 30 September 2008 these advance payments amounted to LTL'000 29,017 (as of 31 December, 2007 – LTL'000 17,433).

21.Trade and other payables

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

	Group 30 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Debts for electricity and related services	182,397	182,397	83,409	83,409
Debts for contract works, services	60,283	56,338	57,122	49,647
Debts for material welfare	2,383	1,161	15,647	12,248
Carrying amount for end of period	**245,063**	**239,896**	**156,178**	**145,304**

22. Other payables and liabilities

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

	Group 30 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Deferred VAT payable	20,949	20,949	7,658	7,658
Payroll related liabilities	5,019	3,699	2,872	1,222
Vacation reserve	1,366	1,175	3,355	3,025
Property tax payable	220	220	2,145	2,145
Tax for natural resources	174	174	310	310
Other taxes payable	58	27	27	11
Dividends payable	587	587	633	633
Share of deferred income from new consumers for the current year	587	587	582	582
Other sums payable and current liabilities	2,143	2,011	688	493
Carrying amount	**31,103**	**29,429**	**18,270**	**16,079**

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

23.Income tax expense

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

	Group 30 September 2008	Company 30 September 2008	Group 30 September 2007	Company 30 September 2007
Components of the income tax expense				
Income tax (including social tax)	18,308	18,201	17,142	16,787
Deferred income tax benefit	(5,527)	(5,544)	(8,298)	(8,253)
Income tax expenses for the reporting period	**12,781**	**12,657**	**8,844**	**8,534**

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

	Group 30 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Deferred income tax assets				
Impairment of property, plant and equipment (deemed cost)	(183,921)	(183,921)	(189,442)	(189,442)
Doubtful receivables (Baltic Shem and Liberty, etc.)	(973)	(973)	(3,894)	(3,894)
Doubtful receivables (Ekranas AB)	(1,442)	(1,442)	(1,442)	(1,442)
Vacation reserve	(205)	(176)	(503)	(454)
Impairment of financial assets (will be recognized for tax purposes at the moment of disposal)	(204)	(204)	(409)	(409)
Recognition for tax purposes of capitalized finance costs previously written-off	(17)	(17)	(68)	(68)
Allowances for inventories to net realizable value	(14)	(14)	(59)	(59)
Total deferred income tax assets	**(186,776)**	**(186,747)**	**(195,817)**	**(195,768)**
Deferred income tax liabilities				
Increase in value of property, plant and equipment (deemed cost)	363,584	363,401	376,861	376,696
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	24,609	24,389	25,705	25,464
Impact of application of different depreciation rates for property, plant and equipment in financial and tax accounting	1,336	1,336	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 September 2008	2	2	2	2
Other (derivative financial instruments)	-	-	-	-
Total deferred income tax liabilities	**389,531**	**389,128**	**403,894**	**403,488**
Less: valuation allowance	204	204	409	409
Deferred income tax liabilities, net	**202,959**	**202,585**	**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 had to pay 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.

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

	Group 30 September 2008	Company 30 September 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	178,043	178,043	184,126	184,126
Deferred income tax assets to be recovered within 12 months	8,529	8,500	11,282	11,233
Total deferred income tax assets	**186,572**	**186,543**	**195,408**	**195,359**
Deferred income tax liabilities:				
Deferred income tax liabilities to be settled after more than 12 months	369,042	368,653	383,399	383,005
Deferred income tax liabilities to be settled within 12 months	20,489	20,475	20,495	20,483
Total deferred income tax liabilities	**389,531**	**389,128**	**403,894**	**403,488**
Deferred income tax liabilities, net	**202,959**	**202,585**	**208,486**	**208,129**

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

	As of 31 December 2007	**Recognized in income (loss) statements**	**As of 30 September 2008**
Impairment of property, plant and equipment (deemed cost)	(1,262,949)	36,808	(1,226,141)
Doubtful receivables (Baltic Shem and Liberty, etc.)	(25,961)	19,471	(6,490)
Doubtful receivables (Ekranas AB)	(9,612)	-	(9,612)
Vacation reserve	(3,357)	1,992	(1,365)
Impairment of financial assets (will be recognized for tax purposes at the moment of disposal)	(2,726)	1,364	(1,362)
Recognition for tax purposes of capitalized finance costs previously written-off	(450)	337	(113)
Allowances for inventories to net realizable value	(396)	306	(90)
Increase in value of property, plant and equipment (deemed cost)	2,512,410	(88,514)	2,423,896
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	171,371	(7,311)	164,060
Effect of application of different depreciation rates for property, plant and equipment in financial and tax accounting	8,837	67	8,904
Carrying amount of construction in progress acquired under investment exemption for tax purpose in 1998 - 2001 and not commissioned into operation until 30 September 2008	16	-	16
Total temporary differences	**1,387,183**	**(35,480)**	**1,351,703**
Deferred income tax by applying 15% tax rate, net	**208,077**	**(5,322)**	**202,755**
Decrease in deferred income tax due to effect of social tax	-		
Total deferred income tax, net	**208,077**	**(5,322)**	**202,755**
Less: valuation allowance	409	(205)	204
Deferred income tax liabilities, after assessment	**208,486**	**(5,527)**	**202,755**

(Continued on the following page)

27. Costs of financial operations

During the respective periods ended 30 September, the Group and the Company's costs of financial operations consisted of the following:

	Group 2008	Company 2008	Group 2007	Company 2007
Interest expenses	(1,209)	(1,180)	(4,206)	(4,194)
Foreign currency exchange loss	(38)	(36)	(355)	(351)
Costs of debt servicing	(33)	(33)	(32)	(32)
Impairment of investments	-	(1,038)	-	(224)
Other expenses	(17)	(12)	(61)	(60)
Total loss from financial operations	**(1,297)**	**(2,299)**	**(4,654)**	**(4,861)**

28. Related party transactions

Sales and purchases of the goods and services:

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

Related parties	Accounts payable	Accounts receivable	Purchases	Sales
Parties related to the Ministry of Economy of the Republic of Lithuania	68,920	20,402	454,174	93,866
LEO LT, AB and its subsidiaries	2,218	164,508	17,147	618,811
Associates of the Group	10	127	7,370	163
Total	**71,148**	**185,037**	**478,691**	**712,840**

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

Related parties	Accounts payable	Accounts receivable	Purchases	Sales
Parties related to the Ministry of Economy of the Republic of Lithuania	68,676	20,328	453,301	88,352
LEO LT, AB and its subsidiaries	2,182	164,367	17,016	618,646
Subsidiaries	2,455	18	1,497	96
Associates	10	127	7,370	163
Total	**73,323**	**184,840**	**479,184**	**707.257**

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 the Ministry of Economy of the Republic of Lithuania	48,601	51,564	429,156	485,949
Subsidiaries	1,489	12	7,472	409
Associates	786	3,256	11,369	118
Total	**50,876**	**54,832**	**447,997**	**486,476**

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

Compensation to key management personnel

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

	2008	2007
Remuneration of the management	1424	1041
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.

23. 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 September 2008**
Impairment of property, plant and equipment (deemed cost)	(1,262,949)	36,808	(1,226,141)
Allowances for doubtful receivables (Baltic Shem and Liberty)	(25,961)	19,471	(6,490)
Allowances for doubtful receivables (Ekranas AB)	(9,612)	-	(9,612)
Vacation reserve	(3,025)	1,851	(1,174)
Impairment of financial assets (will be recognized for tax purposes at the moment of disposal)	(2,726)	1,364	(1,362)
Recognition for tax purposes of capitalized finance costs previously written-off	(450)	337	(113)
Allowances for inventories to net realizable value	(396)	306	(90)
Increase in value of property, plant and equipment (deemed cost)	2,511,305	(88,630)	2,422,675
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	169,762	(7,169)	162,593
Effect of application of different depreciation rates for property, plant and equipment in financial and tax accounting	8,837	67	8,904
Carrying amount of construction in progress acquired under investment exemption for tax purpose in 1998 - 2001 and not commissioned into operation until 30 September, 2008	16	-	16
Total temporary differences	**1,384,801**	**(35,595)**	**1,349,206**
Deferred income tax by applying 15% tax rate, net	**207,720**	**(5,339)**	**202,381**
Decrease in deferred income tax due to effect of social tax	-	-	-
Total deferred income tax, net	**207,720**	**(5,339)**	**202,381**
Less: valuation allowance	409	(205)	204
Deferred income tax liabilities, after assessment	**208,129**	**(5,544)**	**202,585**

Reconciliation of income tax expense and pre-tax profit:

	Group 30 September 2008	**Company 30 September 2008**	**Group 30 September 2007**	**Company 30 September 2007**
Profit before tax	81,832	82,456	47,697	46,978
Tax at the income tax rate of 15 per cent (in 2007 – 18 per cent)	12,275	12,368	8,586	8,456
Tax effect of items that are not deductible or taxable in determining taxable profit	506	289	258	78
Income tax expense	**12,781**	**12,657**	**8,844**	**8,534**
Effective income tax rate (%)	**15**	**15**	18	18

24. Sales income

Sales income for periods ended 30 September, the Group and Company's sales income accounted for:

Sales income for electricity and related services	**Group 2008**	**Company 2008**	**Group 2007**	**Company 2007**
Auctioned electricity	367,344	367,344	193,652	193,652
Electricity export	167,154	167,154	111,810	111,810
Electricity transmission service	178,555	178,555	169,321	169,321
Public Service Obligations (VIAP)	286,818	286,818	263,376	263,376
Capacity reserve	97,373	97,373	85,830	85,830
Other sales of electricity and related services	28,038	28,038	11,118	11,118
Total:	**1,125,282**	**1,125,282**	**835,107**	**835,107**

24. Business and geographical segments

The Group has separated six business segments (activities). The Nuclear energy segment was separated before 28 August, 2008, until the establishment of LEO LT daughter company „Visagino Atominė Elektrinė". As of 30 September 2008 and for the nine-month period then ended the information about these segments consisted of the following:

9 months of 2008	**Business segments**						
	Electricity trans-mission	**Electricity trade**	**Electricity generation**	**Electricity export**	**Nuclear power**	**Design and repair services**	**Total**
Income	**588,540**	**423,626**	**64,120**	**349,281**	**-**	**51,457**	**1,477,024**
Incl. internal turnover among Company segments	*22,627*	*32,260*	*64,120*	*181,716*	-	-	*300,723*
Income after elimination of internal turnover among Company segments	565,913	391,366	-	167,565	-	51,457	1,176,301
Incl. internal turnover among Group companies	-	-	-	-	-	*9,778*	*9,778*
Income after elimination of internal turnover among Group companies	**565,913**	**391,366**	**-**	**167,565**	**-**	**41,679**	**1,166,523**
Expenses	**536,735**	**424,576**	**62,600**	**316,401**	**3,859**	**51,317**	**1,395,488**
Incl. internal turnover among Company segments	*27,117*	*211,131*	*33,350*	*29,125*	-	-	*300,723*
Expenses after elimination of internal turnover among Company segments	509,618	213,445	29,250	287,276	3,859	51,317	1,094,765
Incl. internal turnover among Group companies	*1,525*	-	-	-	-	*7,994*	*9,519*
Expenses after elimination of internal turnover among Group companies	**508,093**	**213,445**	**29,250**	**287,276**	**3,859**	**43,323**	**1,085,246**
Break-down of significant items of expenses:							
Electricity purchase, purchase of capacity reserve, transmission, regulation and balancing expenses	383,189	423,620	33,349	315,876	-	-	1,156,034
Repair and maintenance expenses	22,459	33	3,728	24	-	767	27,011
Depreciation and amortization	83,050	9	12,375	9	-	1,593	97,036
Wages, salaries, social insurance and accrued vacation reserve	32,857	377	6,566	384	600	17,645	58,429
Taxes other than income tax	2,230	10	4,918	10	18	140	7,326
Communications and IT expenses	3,579	392	70	8	23	265	4,337
Utilities	2,377	6	64	6	-	618	3,071
Production materials expenses	-	-	-	-	-	21,527	21,527
Subcontractors	-	-	-	-	-	6,265	6,265
Research and development	560	80	120	-	-	-	760
Other	6,434	49	1,410	84	3,218	2,497	13,692
Profit (loss) from ordinary activities (before elimination of internal turnover)	**51,805**	**(950)**	**1,520**	**32,880**	**(3,859)**	**140**	**81,536**
Elimination of internal turnover							(260)
Profit (loss) from ordinary activities (after elimination of internal turnover)							**81,276**
Segment's assets	2,247,092	141,296	421,237	9,242	-	51,854	2,870,721
Unallocated assets	-	-	-	-	-	-	28,758
Segment's liabilities	47,920	38,955	2,541	95,522	-	12,244	197,182
Unallocated liabilities	-	-	-	-	-	-	420,880
Capital additions	91,824		11,950		-	1,678	105,452
Unallocated capital additions	-	-	-	-	-	-	720
Depreciation and amortization	83,050	9	12,375	9	-	1,593	97,036
Unallocated depreciation and amortization	-	-	-	-	-	-	7,485

(Continued on the following page)

24. Business and geographical segments (continued)

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

2007 9 months	**Business segments**						
	Electricity trans-mission	**Electricity trade**	**Electricity generation**	**Electricity export**	**Nuclear power**	**Design and repair services**	**Total**
Income	**285,505**	**493,803**	**65,082**	**239,433**	**-**	**50,184**	**1,134,007**
Incl. internal turnover among Company segments	*27,328*	*29,074*	*65,082*	*127,498*	*-*	*-*	*248,982*
Income after elimination of internal turnover among Company segments	258,177	464,729	-	111,935	-	50,184	895,025
Incl. internal turnover among Group companies	*-*	*-*	*-*	*-*	*-*	*5,363*	*5,363*
Income after elimination of internal turnover among Group companies	**258,177**	**464,729**	**-**	**111,935**	**-**	**44,821**	**879,662**
Expenses	**251,111**	**479,401**	**60,693**	**238,996**	**3,078**	**48,670**	**1,081,949**
Incl. internal turnover among Company segments	*28,970*	*152,694*	*31,868*	*35,458*	*-*	*-*	*248,990*
Expenses after elimination of internal turnover among Company segments	222,141	326,707	28,825	203,538	3,078	48,670	832,959
Incl. internal turnover among Group companies	*1,254*	*-*	*-*	*-*	*-*	*3,881*	*5,135*
Expenses after elimination of internal turnover among Group companies	***220,887***	***326,707***	***28,825***	***203,538***	***3,078***	***44,789***	***827,824***
Break-down of significant items of expenses:							
Electricity purchase, purchase of capacity reserve, transmission, regulation and balancing expenses	96,103	478,342	31,867	238,650	-	-	844,962
Repair and maintenance expenses	24,300	27	4,256	21	-	2,870	31,474
Depreciation and amortization	89,319	132	12,227	8	-	1,465	103,152
Wages, salaries, social insurance and accrued vacation reserve	27,749	311	5,892	248	462	16,984	51,646
Taxes other than income tax	2,202	10	4,973	10	-	154	7,349
Communications and IT expenses	3,194	444	66	8	4	220	3,937
Utility expenses	915	2	60	2	-	298	1,277
Subcontractors	-	-	-	-	-	19,043	19,043
Production materials expenses	-	-	-	-	-	5,770	5,770
Research and development	809	70	57	-	123	-	1,058
Other	6,519	62	1,295	51	2,489	1,865	12,281
Profit (loss) from ordinary activities (before elimination of internal turnover)	**34,394**	**14,402**	**4,389**	**437**	**(3,078)**	**1,514**	**52,058**
Elimination of internal turnover							(220)
Profit (loss) from ordinary activities (before elimination of internal turnover)							**51,838**
Segment's assets	2,149,835	129,958	423,760	129	-	51,623	2,755,305
Unallocated assets	-	-	-	-	-	-	50,427
Segment's liabilities	14,691	56,473	1,699	95,964	-	15,945	184,772
Unallocated liabilities	-	-	-	-	-	-	418,130
Capital additions	114,845	-	1,805	-	-	781	117,431
Unallocated capital additions	-	-	-	-	-	-	540
Depreciation and amortization	89,319	132	12,227	8	-	1,465	103,152
Unallocated depreciation and amortization	-	-	-	-	-	-	7,305

The report by business segments for nine months of 2008 has the following revisions, compared to report issued in interim financial statements for nine-months of 2007: there was an increase in income from electricity transmission and export expenses by LTL'000 23,529 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).

(Continued on the following page)

24. Business and geographical segments (continued)

Secondary reporting format is geographical segments. The Company exports electricity to the EU countries and Russia. During nine months of 2008 the Company earned from electricity export LTL 151.8 million (during 9 months of 2007 – LTL 95.4 million). In addition to that, the Group exported metal structures and repair services.

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

Country	**Group 2008**	**Company 2008**	**Group 2007**	**Company 2007**
Lithuania	1,011,647	972,994	782,093	739,587
Russia	432	-	46,868	46,023
Finland	53,693	52,962	20,350	20,350
Latvia	46,003	45,996	11,152	11,124
Estonia	52,971	52,892	17,889	17,756
Germany	152	-	1,218	-
Sweden			92	-
Total:	**1,164,898**	**1,124,844**	**879,662**	**834,840**

Besides direct exports, the Company also sells peak energy for export. During nine months of 2008 the sales of peak energy amounted to MLTL 4.1 (during 9 months of 2007 – MLTL 6.3). The Company also exported electricity, generated on holidays and weekends. During nine months of 2008, the revenues from exported electricity, generated on holidays and weekends accounted for MLTL 3.4 (during nine months of 2007 – MLTL 10.3).

25. Other operating income

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

	Group 2008	**Company 2008**	**Group 2007**	**Company 2007**
Maintenance services	40,315	-	44,679	-
Data transmission	9,622	9,622	8,738	8,738
Internet services	2,593	2,612	2,163	2,168
Rent of facilities	1,910	1,910	1,887	1,887
Rent of property	2455	2,047	1,668	1,661
Health and recreation services	1,010	802	937	719
IT services	468	468	303	303
Voice telephony services	357	386	330	362
Engineering services	289	-	225	-
Gain on disposal of property, plant and equipment	-	-	42	283
Other income	1,657	1,150	1,363	469
Other operating income, total	**60,676**	**18,997**	**62,335**	**16,590**

26. Income from financial operations

During the respective periods ended 30 September, the Group and the Company's other gains consisted of the following:

	Group 2008	**Company 2008**	**Group 2007**	**Company 2007**
Interest revenues	979	925	400	355
Positive impact of currency exchange rate adjustment	43	43	23	19
Dividends received	-	633	-	413
Other gain	39		36	-
Total income from financial operations	**1,061**	**1,601**	**459**	**787**

27. Costs of financial operations

During the respective periods ended 30 September, the Group and the Company's costs of financial operations consisted of the following:

	Group 2008	Company 2008	Group 2007	Company 2007
Interest expenses	(1,209)	(1,180)	(4,206)	(4,194)
Foreign currency exchange loss	(38)	(36)	(355)	(351)
Costs of debt servicing	(33)	(33)	(32)	(32)
Impairment of investments	-	(1,038)	-	(224)
Other expenses	(17)	(12)	(61)	(60)
Total loss from financial operations	**(1,297)**	**(2,299)**	**(4,654)**	**(4,861)**

28. Related party transactions

Sales and purchases of the goods and services:

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

Related parties	Accounts payable	Accounts receivable	Purchases	Sales
Parties related to the Ministry of Economy of the Republic of Lithuania	68,920	20,402	454,174	93,866
LEO LT, AB and its subsidiaries	2,218	164,508	17,147	618,811
Associates of the Group	10	127	7,370	163
Total	**71,148**	**185,037**	**478,691**	**712,840**

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

Related parties	Accounts payable	Accounts receivable	Purchases	Sales
Parties related to the Ministry of Economy of the Republic of Lithuania	68,676	20,328	453,301	88,352
LEO LT, AB and its subsidiaries	2,182	164,367	17,016	618,646
Subsidiaries	2,455	18	1,497	96
Associates	10	127	7,370	163
Total	**73,323**	**184,840**	**479,184**	**707,257**

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 the Ministry of Economy of the Republic of Lithuania	48,601	51,564	429,156	485,949
Subsidiaries	1,489	12	7,472	409
Associates	786	3,256	11,369	118
Total	**50,876**	**54,832**	**447,997**	**486,476**

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

Compensation to key management personnel

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

	2008	2007
Remuneration of the management	1424	1041
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.

29.Earnings per share

For the periods ended 30 September of a respective year, earnings per share equaled:

	2008	2007
Net profit attributable to equity holders of the Company	69,799	38,445
Weighted average number of shares	689,515,435	689,515,435
Basic and diluted earnings per share (LTL)	**0.10**	**0.06**

30. 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**

31. 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 September 2008 and 31 December 2007, the credit risk was related to:

	Group 30 September 2008	Company 30 September 2008	Group 31 December 2007	Company 31 December 2007
Financial assets	286,099	273,166	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.

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 September 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 September 2008	Company 30 September 2008	Group 31 December, 2007	Company 31 December, 2007
Paid on due date	220,747	210,399	109,360	94,078
Overdue up to 30 days	1,034	182	11,464	10,883
Overdue from 30 to 60 days	20	-	427	106
Overdue from 60 to 90 days	8	-	22	-
Overdue more than 90 days	164	-	97	-
Carrying amount	**221,973**	**210,581**	**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).

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 September 2008				
Borrowings and bonds	-	25,896	13,811	-
Obligations under finance leases	287	50	-	-
Trade and other payables	307,889	-	-	-
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	-	-	-

Company	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
as of 30 September 2008				
Borrowings and bonds		25,896	13,811	-
Trade and other payables	299,205	-	-	-
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.

As of 30 September 2008 monetary assets and liabilities in various currencies (in thousands) consisted of the following:

	Group			**Company**		
	Asset	**Liabilities**	**Net on-balance sheet financial position**	**Asset**	**Liabilities**	**Net on-balance sheet financial position**
LTL	274,194	573,042	(298,848)	263,226	563,302	(300,076)
EUR	14,040	44,752	(30,712)	11,167	44,726	(33,559)
USD	10	1	9	1	1	-
GBP	-	5	(5)	-	5	(5)
RUR	201	262	(61)	-	-	-
Total	**288,445**	**618,062**	**(329,617)**	**274,394**	**608,034**	**(333,640)**

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.

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.

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32.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 September 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 30 September 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.
4. Beneficiary – Fabryka Kotlow RAFAKO S.A., amount – EUR 59,068 (LTL 203,950), type – performance security, maturity – 15 September 2010.

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 the nine-month period of 2008.

33.Subsequent events

Lietuvos Energija AB signed a cooperation agreement with European Bank for Reconstruction and Development (EBRD). Under the agreement, the bank assigned a grant of EUR 2 million for the power bridge project with Poland. The grant will be used to finance the preparatory works for the construction of the interconnection line between Lithuania and Poland. Based on preliminary calculations, the construction of the interconnection Alytus-Elk is estimated at EUR 237 million. By the middle of next year the interconnection's route should be clarified. The interconnection project between Lithuanian and Polish energy systems is implemented by a joint venture LitPol Link established by Lietuvos Energija AB and PSE Operator SA.

On 9 October 2008, the Board of Lietuvos Energija AB resolved to convene the extraordinary general shareholders meeting on 4 December 2008. The Agenda of the meeting covers such issues as the unbundling of Lietuvos Energija AB branches - Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, amendment of the Articles of Association of the company (approval of the amended wording), appointment of the auditor of Lietuvos Energija AB and setting of payment terms and conditions for the auditor's services. The unbundling of Kruonis PSPP and Kaunas HPP from Lietuvos Energija AB and the transfer of their control to the Republic of Lithuania is set forth in the Agreement on the establishment of the national investor company.

On 28 October 2008, the International Credit Rating Agency *Standard & Poor's*, on the grounds of the decreased credit rating of the Republic of Lithuania, respectively downgraded the corporate long-term credit rating of Lietuvos Energija AB for borrowings in foreign currency from A- to BBB+, although the rating outlook was left unchanged, i.e. the on-watch negative. In order to resolve the credit watch placement, the credit rating agency has to analyze the overall financial credit strength of LEO LT, AB group.

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