LIETUVOS ENERGIJA

AKCINĖ BENDROVĖ LIETUVOS ENERGIJA

26 May 2010 Nr. SO-3889

CONFIRMATION OF RESPONSIBLE PERSONS

Referring to the provisions of the Article 21 of the Law on Securities of the Republic of Lithuania and the Rules for the Drawing up and Submission of the Periodic and Additional Information of the Securities Commission of the Republic of Lithuania, we, the undersigned Aloyzas Koryzna, CEO of AB „Lietuvos energija“, Darius Grondskis, Director of Finance Department of AB „Lietuvos energija“ and Tatjana Didikienė, Chief Financier of AB „Lietuvos Energija“, hereby confirm that, to the best of our knowledge, the interim consolidated financial statements for the period ended 31 March 2010 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the AB „Lietuvos energija“ and consolidated group assets, liabilities, financial position and profit for the relevant period.

Aloyzas Koryzna	CEO
Darius Grondskis	Director of Finance Department
Tatjana Didikienė	Chief Financier

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LIETUVOS ENERGIJA AB

CONSOLIDATED AND COMPANY'S
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2010 (unaudited)

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Translation note

This document has been prepared in Lithuanian language and in English language. In all matters of interpretations of information, views or opinions, the Lithuanian language version of our report takes precedence over the English version.

The interim financial statements were approved by the General Director, Finance Director and Chief Financier on 26 May 2010.

Aloyzas Koryzna General Director	Darius Grondskis Finance Director	Tatjana Didikienė Chief Financier

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2010
All amounts in LTL thousand, unless otherwise stated

ASSETS	Notes	Group as at 31 March 2010	Company as at 31 March 2010	Group as at 31 December 2009	Company as at 31 December 2009
Non-current assets:					
Intangible assets	4	3,536	1,938	2,455	2,360
Property, plant and equipment	5	2,778,976	2,744,380	2,811,945	2,779,451
Prepayments for property, plant, equipment		9,279	9,279	9,648	9,648
Investment property	6	18,041	32,670	17,260	37,031
Investments in subsidiaries	7	-	30,162	-	19,564
Investments in associates and joint ventures	7	25,973	24,853	25,837	24,853
Accounts receivable	8	490	490	510	510
Other financial assets		169	-	127	-
Total non-current assets		**2,836,464**	**2,843,772**	**2,867,782**	**2,873,417**
Current assets:					
Inventories	9	7,649	3,137	7,024	3,245
Prepayments		5,472	6,796	8,491	8,412
Trade receivables	10	170,512	74,363	170,342	164,157
Other receivables	11	77,080	100,538	77,568	78,014
Term deposits	13	34,810	17,000	17,160	17,000
Cash and cash equivalents	14	84,797	52,929	54,167	51,347
Total current assets		**380,320**	**254,763**	**334,752**	**322,175**
TOTAL ASSETS		**3,216,784**	**3,098,535**	**3,202,534**	**3,195,592**
EQUITY AND LIABILITIES					
Capital and reserves:					
Share capital	15	689,515	689,515	689,515	689,515
Share premium		3	3	3	3
Revaluation reserve		338,535	335,814	346,170	343,404
Legal reserve	16	68,995	68,952	68,995	68,952
Other reserves	17	(63,777)	(63,777)	(63,777)	(63,777)
Retained earnings (deficit)		1,647,715	1,652,816	1,614,958	1,621,740
Total equity		**2,680,985**	**2,683,323**	**2,655,864**	**2,659,837**
Non-current liabilities:					
Finance lease liabilities	19	1,371	-	1,565	-
Grants	20	71,487	71,464	71,420	71,393
Deferred income	26	15,972	15,972	16,173	16,173
Other non-current accounts payable and liabilities	21	12,647	12,481	10,954	10,954
Deferred income tax liabilities	22	230,139	229,482	235,557	233,334
Total non-current liabilities		**331,616**	**329,399**	**335,669**	**331,854**
Current liabilities:					
Borrowings	18	14,693	13,811	14,200	13,811
Finance lease liabilities	19	582	-	532	-
Trade payables	24	153,204	43,994	157,124	157,406
Advance amounts received		1,727	1,393	2,285	1,061
Income tax payable		16,248	15,485	16,505	16,458
Provisions	35	20	20	20	20
Other accounts payable and liabilities	25	17,709	11,110	20,335	15,145
Total current liabilities		**204,183**	**85,813**	**211,001**	**203,901**
Total liabilities		**535,799**	**415,212**	**546,670**	**535,755**
TOTAL EQUITY AND LIABILITIES		**3,216,784**	**3,098,535**	**3,202,534**	**3,195,592**

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2010
All amounts in LTL thousand, unless otherwise stated

	Notes	Group January – March 2010	Company January – March 2010	Group January – March 2009	Company January – March 2009
Revenues					
Sales revenue	26	425,099	244,371	408,944	75,875
Other operating income	28	9,421	12,817	11,174	6,890
		434,520	**257,188**	**420,118**	**82,765**
Operating expenses					
Purchase of electricity or related services		(322,441)	(171,451)	(349,739)	(51,250)
Purchase of capacity reserve		(14,292)	-	(27,874)	-
Transit expenses		(1,722)	-	(1,184)	-
Depreciation and amortisation		(41,443)	(40,793)	(43,650)	(43,038)
Wages and related expenses		(15,117)	(10,482)	(17,793)	(12,503)
Repair and maintenance expenses		(1,239)	(1,318)	(1,791)	(1,802)
Other expenses		(12,496)	(9,118)	(16,748)	(15,377)
Total operating expenses		**(408,750)**	**(233,162)**	**(458,779)**	**(123,970)**
OPERATING PROFIT (LOSS)		**25,770**	**24,026**	**(38,661)**	**(41,205)**
Finance income	29	1,055	1,028	1,533	1,508
Finance (costs):					
(Increase) decrease in value of investments, share of results of activities of associates and joint ventures	7	-	-	(1,035)	(1,036)
Other finance (costs)	30	(212)	(179)	(2,080)	(190)
		26,613	**24,875**	**(40,243)**	**(40,922)**
PROFIT (LOSS) BEFORE INCOME TAX					
Current year income tax expense	22	(6,729)	(5,981)	(11,792)	(11,114)
Deferred tax income (expense)	22	3,854	3,852	22,406	22,423
		23,738	**22,746**	**(29,629)**	**(29,614)**
DISCONTINUED OPERATIONS					
Profit (loss) for the year from discontinued operations, net of income tax	31	-	-	-	2,597
PROFIT (LOSS) FOR THE YEAR		**23,738**	**22,746**	**(29,629)**	**(27,017)**

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2010
All amounts in LTL thousand, unless otherwise stated

		Attributable to owners of the Company									
Group	Notes	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Foreign currency translation reserve	Total	Minority interest	Total equity
Balance at 31 December 2008		**689,515**	**3**	**492,723**	**70,794**	**1,454,530**	**(17,820)**	**(18)**	**2,689,727**	**1**	**2,689,728**
Total comprehensive income		-	-	(8,795)	-	-	(20,834)	(2)	(29,631)	-	(29,631)
Balance at 31 March 2009		**689,515**	**3**	**483,928**	**70,794**	**1,454,530**	**(38,654)**	**(20)**	**2,660,096**	**1**	**2,660,097**
Balance at 31 December 2009		**689,515**	**3**	**346,170**	**68,995**	**(63,777)**	**1,614,958**	-	**2,655,864**	-	**2,655,864**
Depreciation of revaluation reserve	17	-	-	(7,635)	-	-	7,635	-	-	-	-
Total comprehensive income		-	-	-	-	-	25,122	-	25,122	-	25,122
Balance at 31 March 2010		**689,515**	**3**	**338,535**	**68,995**	**(63,777)**	**1,647,715**	-	**2,680,985**	-	**2,680,985**

(continued on the next page)

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2010
All amounts in LTL thousand, unless otherwise stated

Company	Notes	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
Balance at 31 December 2008		**689,515**	**3**	**483,230**	**68,952**	**1,451,571**	**(11,972)**	**2,681,299**
Total comprehensive income		-	-	(8,651)	-	-	(18,366)	(27,017)
Balance at 31 March 2009		**689,515**	**3**	**474,579**	**68,952**	**1,451,571**	**(30,338)**	**2,654,282**
Balance at 31 December 2009		**689,515**	**3**	**343,404**	**68,952**	**(63,777)**	**1,621,740**	**2,659,837**
Depreciation of revaluation reserve		-	-	(7,590)	-	-	7,590	-
Total comprehensive income		-	-	-	-	-	23,486	22,746
Balance at 31 March 2010		**689,515**	**3**	**335,814**	**68,952**	**(63,777)**	**1,652,816**	**2,683,323**

(end)

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

STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2010
All amounts in LTL thousand, unless otherwise stated

	Notes	Group As at 31 March 2010	Company As at 31 March 2010	Group As at 31 March 2009	Company As at 31 March 2009
Profit (loss) from continuing operations		23,738	22,746	(29,629)	(29,614)
Profit (loss) from discontinued operations		-	-	-	2,597
Profit (loss) for the period		**23,738**	**22,746**	**(29,629)**	**(27,017)**
Reversal of non-cash expenses (income) and other adjustments					
Depreciation and amortisation expense	4,5,6	41,956	41,455	44,381	43,805
(Reversal of)/impairment charge on assets		1,267	(103)	4,974	4,974
Income tax expense	22	6,729	5,981	11,787	11,763
Change in deferred tax liability	22	(3,854)	(3,852)	(22,396)	(22,422)
(Income) from grants and connection of new users	21,26	(667)	(663)	(645)	(642)
Increase (decrease) in provisions		100	(66)	-	-
Loss on disposal/write-off of non-current assets (except financial assets)		95	95	(117)	(118)
Elimination of results of financing and investing activity:					
- Effect of changes in foreign exchange rates, net		8	5	4	2
- Interest (income)		(965)	(940)	(1,497)	(1,487)
- Interest expense		180	174	460	413
- Other finance (income) costs		(66)	(88)	1,557	1,561
Changes in working capital					
(Increase) decrease in trade receivables and other accounts receivable		639	74,529	(19,235)	(19,272)
(Increase) decrease in inventories and prepayments		2,752	2,124	(4,624)	(5,791)
Increase (decrease) in accounts payable and advance amounts received		(6,888)	(115,302)	97,931	97,931
Income tax (paid)		(6,917)	(6,917)	(6,350)	(6,307)
Net cash generated from operating activities		***58,107***	***19,178***	***76,601***	***77,393***
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets		(10,668)	(9,928)	(21,269)	(21,260)
Proceeds from sale of PP&E and intangible assets		-	-	11	-
Loans (granted)		-	(6,780)	-	-
Term deposits		(17,650)	-	-	-
Disposal of bonds	12	-	-	8,000	8,000
(Acquisition) of investments		-	(1,350)	-	-
Interest received		707	638	1,103	1,099
Net cash used in investing activities		***(36,137)***	***(17,420)***	***(12,155)***	***(12,161)***
Cash flows from financing activities					
Proceeds from borrowings		493	-	963	-
Finance lease payments		(144)	-	(180)	-
Interest (paid)		(214)	(175)	(211)	(164)
Dividends (paid)		(1)	(1)	(10)	(10)
Other cash flows from financing activities		-	-	(10)	(10)
Net cash used in financing activities		***134***	***(176)***	***552***	***(184)***
Net increase (decrease) in cash flows		**30,630**	**1,582**	**64,998**	**65,048**
Cash and cash equivalents at the beginning of the period		**54,167**	**51,347**	**70,457**	**69,606**
Cash and cash equivalents at the end of the period		**84,797**	**52,929**	**135,454**	**134,653**

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

1 General information

AB Lietuvos Energija is a public company registered in the Republic of Lithuania. The address of the Company's registered office is: Žvejų g. 14, LT-09310, Vilnius, Lithuania. AB Lietuvos Energija (hereinafter referred to as the "Company") is a limited liability profit-making entity, registered with the Register of Legal Entities managed by the public institution Registrų Centras. The Company's registration date is 4 December 1995, reg. No. BĮ 99-74, business ID 220551550, VAT reg. No. 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 reorganised into the Lithuanian State Energy System on 27 March 1991, after the restoration of independence of the Republic of Lithuania. The Company was re-registered on 13 April 1999 with the Ministry of Economy.

The share capital of the Company did not change in 2010 and 2009, and as at 31 March 2010 amounted to LTL 689,515,435 and was divided into 689,515,435 ordinary registered shares with the nominal value of LTL 1 each. All the shares are fully paid. The shares of the Company are traded on the current trading list of Vilnius Stock Exchange. The Company did not hold own shares in 2010 and 2009.

By its resolution No. 364 dated 24 April 2008 the Government of the Republic of Lithuania declared that 664,700,833 ordinary registered shares of Lietuvos Energija AB with the nominal value of 1 LTL each, owned by the state are transferred as the contribution in-kind of the state represented by the Ministry of Economy for the increase of the share capital of LEO LT, AB. The Shareholder Agreement of the national investor LEO LT, AB was signed on 27 May 2008. Immediately after that, an extraordinary general shareholder meeting of LEO LT, AB was convened where it was decided to increase the share capital of LEO LT, AB by the in-kind contributions of the shareholders – by contributing shares of VST AB, Rytų Skirstomieji Tinklai AB and Lietuvos Energija AB. The main shareholder of the Company is LEO LT, AB, owning 96.40 per cent of the Company's shares as at 31 March 2010. The remaining 3.60 per cent stake of the Company's shares is held by other shareholders.

The core activities of the Company in 2010 electricity production and electricity export. Apart from these key activities, the Company is entitled to carry out any other business activities that are not prohibited by the Lithuanian law and are specified 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. The Company has permits of unlimited validity to engage in the production, import and export of electricity. With effect from 1 January 2010, the function of the transmission system operator is carried out by LITGRID UAB. Under the requirements of the EU legislative acts on the liberalisation of electric power market, subsidiaries of Lietuvos Energija AB established for the purpose of separating specific activities were issued with activity licenses on 28 December 2009. The company LITGRID UAB was granted a license of the electricity transmission system operator and the company BALTPOOL UAB was granted a license of the electricity market operator. On 28 December 2009, Lietuvos Energija AB was issued with a license of the independent electricity provider.

As of the date of these financial statements the Company directly participated (controlled or had significant influence) in the management of the following companies: Nordic Energy Link AS (Estonia), Energetikos Pajėgos UAB (Lithuania), Geoterma UAB (Lithuania), Kruonio Investicijos UAB (Lithuania), Kauno Energetikos Remontas UAB (Lithuania), LITGRID UAB (Lithuania), Interlinks UAB (Lithuania), Energijos Tiekimas UAB (Lithuania), Respublikinis energetikų mokymo centras VŠĮ (Lithuania). Indirectly, through LITGRID UAB, the Company controlled BALTPOOL UAB (Lithuania) and through Kauno Energetikos Remontas UAB, the Company had majority of votes in Gotlitas UAB (Lithuania) and in Kaliningradski Energoremont OOO until 2 June 2009 (Russia) when shares were disposed and the Company also exercised significant influence over Enmašas UAB (Lithuania). As at 31 March 2010, the Company also participated in the management of a jointly controlled company LitPol Link Sp.z.o.o (Poland) which was established on 8 August 2008. Further information about associates and joint ventures is presented in Note 7.

The consolidated financial statements of Lietuvos Energija AB and its subsidiaries and the separate financial statements of Lietuvos Energija AB as a parent company are presented in these financial statements. As at 31 March 2010, the Group consisted of Lietuvos Energija AB and the following directly and indirectly controlled subsidiaries:

1 General information (continued)

Company	Address of the company's registered office	Shareholding of the Group as at 31 March 2010	Share capital of the subsidiary as at 31 March 2010	Profit (loss) for the period	Equity as at 31 March 2010	Principal activities
Energetikos Pajėgos UAB	T.Masiulio g. 16D, Kaunas, Lietuva	100 proc.	430	369	1,193	Designing of energy facilities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lietuva	100 proc.	31,341	(886)	22,881	Repair of energy equipment, production of metal structures
Kruonio Investicijos UAB	Kruonio IIk., Kaišiadorių raj, Lietuva	100 proc.	2,361	(15)	1,560	Development of public and recreational projects
Gotlitas UAB (controlled through Kauno Energetikos Remontas UAB)	R.Kalantos g. 119, Kaunas, Lietuva	100 proc.	1,450	(12)	1,756	Accommodation services, trade
LITGRID UAB	Juozapavičiaus g. 13, Vilnius, Lietuva	100 proc.	9,748	3,194	12,896	Activities related to the electricity transmission system operator
BALTPOOL UAB (controlled through LITGRID UAB)	Juozapavičiaus g. 13, Vilnius, Lietuva	100 proc.	318	49	356	Activities related to the electricity market operator
Interlinks UAB	Žvejų g. 14, Vilnius, Lietuva	100 proc.	3,500	(1,421)	(1,095)	Development and implementation of projects on electricity transmission interconnections
Energijos Tiekimas UAB	Žvejų g. 14, Vilnius, Lietuva	100 proc.	750	417	1,132	Independent electricity supply
Respublikinis energetikų mokymo centras VŠĮ	Jeruzalės g. 21, Vilnius, Lietuva	100 proc.	294	(312)	(15)	Professional development and further training of energy specialists

As at 31 March 2010, the number of employees of the Group was 1,252 (31 December 2009: 1,227). As at 31 March 2010, the number of employees of the Company was 822 (31 December 2009: 889).

2 *Accounting policies*

Presented below are the principal accounting policies adopted in the preparation of the Group's and the Company's interim financial statements for the three month period of 2010:

2.1 Basis of preparation

These interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and applicable to the financial statements.

These financial statements were prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment loss (see Note 2.8).

Financial year of the Company and other Group companies coincides with the calendar year.

2.2 Change of accounting policies

Accounting policies applied in preparing the interim financial statements are consistent with those of the previous financial year except as follows:

a) Adoption of new and/or amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

<u>The following new or amended IFRS and IFRIC interpretations are effective in 2010 but not relevant to the Company and the Group</u>:

- ***Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment.*** This amendment does not have any impact on the Group's and Company's financial statements.
- ***Vesting Conditions and Cancellations—Amendment to IFRS 2.*** This amendment does not have any impact on the Group's and Company's financial statements.
- ***IFRIC 12, Service Concession Arrangements.*** This interpretation does not have any impact on the Group's and Company's financial statements.
- ***IFRIC 13, Customer Loyalty Programmes.*** This interpretation does not have any impact on the Group's and Company's financial statements.
- ***IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*** This interpretation does not have any impact on the Group's and Company's financial statements.
- ***Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment.*** This amendment does not have any impact on the Group's and Company's financial statements.

2 *Accounting policies (continued)*

Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.**2.2 Change of accounting policies (continued)**

b) Change of accounting for property, plant and equipment

In order to ensure that all the companies of the LEO LT, AB Group apply the same accounting policies, in December 2008 management decided to change its accounting policy for all groups of property, plant and equipment (except the Hydro Power Plant and the Pumped Storage Power Plant): the acquisition cost accounting method was replaced with the revaluation method.

The assets' valuation was made by independent valuators as at 31 December 2008. In accordance with IAS 8, the accounting policy was changed prospectively, applying it from the earliest possible date – 31 December 2008.

The effect of the change on the statement of financial position as at 31 December 2008 and the statement of comprehensive income for the period then ended was as follows:

Group	**Balance/amount before change of accounting policy**	**Effect of change of accounting policy**	**Balance/amount reported in financial statements as at 31 December 2008**
Property, plant and equipment (excluding assets of Hydro Power Plant and Pumped Storage Power Plant)			
Land	119	167	286
Buildings	131,997	60,924	192,921
Structures and machinery	1,649,081	533,453	2,182,534
Vehicles	9,577	19	9,596
Other property, plant and equipment	55,644	6,863	62,507
Construction in progress	167,104	342	167,446
	2,013,522	601,768	2,615,290
Capital and reserves:			
Revaluation reserve, net of deferred tax	-	492,723	492,723
Net result for 2008 (effect of impairment, net of deferred tax)	55,042	(11,298)	43,744
Non-current liabilities:			
Deferred income tax liability	264,016	120,343	384,359

Company	**Balance/amount before change of accounting policy**	**Effect of change of accounting policy**	**Balance/amount reported in financial statements as at 31 December 2008**
Property, plant and equipment (excluding assets of Hydro Power Plant and Pumped Storage Power Plant)			
Land	119	167	286
Buildings	101,303	54,956	156,259
Structures and machinery	1,644,274	531,646	2,175,920
Vehicles	8,343	-	8,343
Other property, plant and equipment	55,649	6,269	61,918
Construction in progress	167,800	(217)	167,583
	1,977,488	592,821	2,570,309
Capital and reserves:			
Revaluation reserve, net of deferred tax	-	483,230	483,230
Net result for 2008 (effect of impairment, net of deferred tax)	55,951	(8,974)	46,977
Non-current liabilities:			
Deferred income tax liability	263,179	118,564	381,743

2 *Accounting policies (continued)*

2.3 Standards, interpretations and their amendments that are not yet effective and not earlier adopted by the Company and the Group

The Group/Company has not applied the following IFRS and IFRIC Interpretations that have been approved but are not yet effective:

Classification of Rights Issues—Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning on or after 1 February 2010). These amendments will not have any impact on the Group's and Company's financial statements.

IFRS 1, First-time Adoption of International Financial Reporting Standards, revised in December 2008 (effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted). This standard will not have any impact on the Group's and Company's financial statements.

Group Cash-settled Share-based Payment Transactions—Amendments to IFRS 2 (effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU). These amendments will not have any impact on the Group's and Company's financial statements.

Additional Exemptions for First-time Adopters—Amendments to IFRS 1 (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU). The Group and the Company do not expect the amendments to have any material impact on the financial statements.

Amendment to IAS 24, Related Party Disclosures, issued in November 2009. (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group and Company are currently assessing the impact of the amended standard on disclosures in the financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurement, issued in November 2009. (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Group and the Company are considering the implications of the standard and the timing of its adoption.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). This interpretation will not have any impact on the Group's and Company's financial statements.

2 *Accounting policies (continued)*

2.3 Standards, interpretations and their amendments that are not yet effective and not earlier adopted by the Company and the Group (continued)

Prepayments of a Minimum Funding Requirement—Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). These amendments will not have any impact on the Group's and Company's financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters—Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). These amendments will not have any impact on the Group's and Company's financial statements.

2.4 Consolidation principles

The consolidated financial statements of the Group include Lietuvos Energija AB and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies are eliminated.

Minority interest in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interest consists of the amount of the interest 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 attributable 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.

2.5 Business combinations

Acquisition of subsidiaries, except for acquisitions between jointly controlled companies, is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the consideration given, which includes assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The acquiree's identifiable assets acquired, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business combinations*, assumed in a business combination are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups), which are classified as held-for-sale in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations* that are recognised and measured at fair vale less cost of sale.

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

Business combinations involving entities under common control are excluded from IFRS 3 "Business combination" scope and therefore predecessor accounting was used. The Group did not restate assets and liabilities to their fair value as at the acquisition date; instead the Group incorporated assets and liabilities at the amounts recorded in the books of the combined companies. No goodwill arises in predecessor accounting and the consolidated financial statements incorporate the combined companies' results from the date of acquisition.

2.6 Investments in subsidiaries (the Company)

Subsidiary is an entity directly or indirectly controlled by a parent company. In the parent company's statement of financial position investments in subsidiaries are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount.

2.7 Investments in associates and joint ventures

An associate is an entity over which the Group/Company has significant influence and that is neither a subsidiary nor a joint venture. Significant impact is an ability to take part in making financial and operating policy decisions but is not control or joint control over those policies. The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity.

In the parent company's statement of financial position investments in associates and joint ventures are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount.

In the consolidated financial statements of the Group results of activities of associates and joint ventures are accounted at equity method, except when the investment is classified as held-for-sale, when it is recognised according to IFRS 5 *Non-current assets held for sale and discontinued operations*. Under the equity method, investments in associates or joint ventures are carried in the consolidated statement of financial postion at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the investee, less any impairment in the value of individual investments. Losses of an associate or joint venture in excess of the Group's interest in that associate/joint venture are not recognised, unless the Group has assured legal or constructive obligations or made payments on behalf of the associate/joint venture.

2. *Accounting policies (continued)*

2.7 Investments in associates and joint ventures (continued)

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/joint venture recognised at the date of acquisition is recognised 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 recognised immediately in the statement of comprehensive income.

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

Financial guarantees provided for the liabilities of the associates during the initial recognition are accounted at estimated fair value, being the difference between the fair value of the liabilities with the guarantee and the fair value of such liabilities without the guarantee, as the investment into associates and financial liability in the statement of financial position. Subsequent to initial recognition this financial liability is amortised and recognised as income depending on the related amortisation / repayment of the associate's financial liability to the bank. If there is a possibility that the associate may fail to fulfil its obligations to the bank, a financial liability of the Company is accounted for at the higher of amortised value and the value estimated according to IAS 37 *Provisions, contingent liabilities and contingent assets.*

2.8 Property, plant and equipment and intangible assets

Property, plant and equipment

Assets with the useful life over one year is classified as property, plant and equipment.

As described in Note 2.2, since 31 December 2008 the Company/Group have changed the accounting policy applied to property, plant and equipment (except for Hydro Power Plant and Pumped Storage Power Plant) from acquisition cost to revalued cost method.

Before 31 December 2008, property, plant and equipment was carried at cost, less accumulated depreciation and accumulated impairment losses.

With effect from 31 December 2008, property, plant and equipment except for the Hydro Power Plant and the Pumped Storage Power Plant which are still accounted for at cost less accumulated depreciation and impairment, are shown at revalued amounts, based on periodic (at least every 5 years) valuations by external independent appraisers, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets. Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited against revaluation reserve directly to equity (Note 2.2) and decreases are recognised in the profit and loss account. Increases in the carrying amount arising on the subsequent revaluation of property, plant and equipment are credited against revaluation reserve, whereas decreases in the carrying amount that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Revaluation increases in property plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred tax.

Construction in progress represents non-current intangible assets under construction. The cost of such assets includes design, construction works, plant and equipment being installed, and other directly attributable costs.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Cost of intangible assets acquired through business combinations is its fair value at acquisition date. Intangible assets are recognised if there is evidence that the Group/Company will receive economic benefits related to these assets, and its value can be reliably estimated.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any (the Group/Company does not have intangible assets with indefinite useful lives).

2 *Accounting policies (continued)*

2.8 Property, plant and equipment and intangible assets (continued)

Depreciation and amortisation

Depreciation (amortisation) of property, plant and equipment and intangible assets, except construction in progress, is calculated using the straight-line method over estimated useful lives of the assets. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at each year-end to ensure that they are consistent with the expected pattern of economic benefits from these assets. The effect of changes in estimates, if any, is accounted for on a prospective basis. As at 31 December 2008, depreciation (amortisation) rates of property, plant and equipment and intangible assets were adjusted in view of the remaining useful lives. Estimated useful lives of property, plant and equipment and intangible assets are as follows:

Categories of property, plant and equipment and intangible assets	**Useful lives (in years)**
Buildings	20 - 75
Structures, machinery and equipment:	
- electricity and communication facilities	20 - 25
- electricity equipment	15 - 35
- other equipment	5 - 20
Power plants' assets:	
- hydrotechnical waterway structures and equipment	75
- pressure pipelines	50
- hydrotechnical turbines	25 - 40
- other equipment	8 - 15
Motor vehicles	4 - 10
Other property, plant and equipment:	
- computer hardware and communication equipment	3 - 10
- inventory, tools	4 - 10
Intangible assets	3 - 4

Average useful lives of newly acquired property, plant and equipment, which are highly important for the main activity of the Group/Company, are as follows:

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

Property, plant and equipment acquired under finance lease are depreciated over their estimated useful life on the same basis as owned assets.

Profit or loss resulting from sale of non-current assets is calculated as the difference between the proceeds from sale and the carrying value of the disposed asset and is recognised in the statement of comprehensive income.

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 Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

2.9 Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group and the Company review the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indications 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 Group and the Company estimate 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 of the Group and the Company 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 reporting date, and whenever there is an indication that the asset may be impaired.

2 *Accounting policies (continued)*

2.9 Impairment of property, plant and equipment and intangible assets (continued)

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using 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 recognised 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 decrease of revaluation reserve.

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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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) as described in Note 2.8.

2.10 Investment property

Investment property of the Group/Company, which consists of investments in buildings held to earn rental revenue or expecting increase in their value, initially is recognised at acquisition cost, including transaction costs. Subsequently all investment property is carried at cost less accumulated depreciation and impairment loss. Investment property is depreciated using the same depreciation calculation methods and periods as those applied to property, plant and equipment.

Transfers to and from investment property are made only when there is an evidence of change in an asset's use. Some properties may be partially occupied by the Company/Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Company/Group can be sold separately, the Company/Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40.

2.11 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.12 Financial assets

According to IAS 39 *Financial instruments: recognition and measurement* financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans granted and receivables, and available-for-sale financial assets. The Group/Company determines the classification of its financial assets based on its nature and purpose at initial recognition.

Financial assets are recognised on a trade date basis where the purchase or sale process is under a contract, which terms require delivery of the financial assets within the timeframe established by the market concerned. Financial assets are recognised initially at fair value, plus, in the case of investments are not carried at fair value through profit or loss, directly attributable transaction costs.

The Company's/Group's financial assets include cash and short-term deposits, trade and other receivables, loans and investments in securities are classified into 2 categories: held-to-maturity investments and loans and receivables.

The subsequent measurement of financial assets depends on their classification as follows:

<u>Held-to-maturity financial assets.</u>

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the investments are impaired, derecognised or amortised.

2 *Accounting policies (continued)*

2.12 Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are carried at amortised cost using the effective interest method (except for current receivables when the recognition of interest income would be immaterial), less any recognised impairment, which reflects irrecoverable accounts. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised, impaired or amortised.

Effective interest rate method

Effective interest rate method is used to calculate amortised cost of financial assets and allocate interest income over the relevant period. The effective interest rate exactly discounts estimated future cash flows through the expected life of the financial asset.

Impairment of financial assets

At each reporting date the Group and the Company assesses whether there is an indication that financial assets may be impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, estimated using the effective interest rate.

The carrying amount of the financial asset is directly reduced by the amount of estimated impairment loss, except for trade receivables, for which impairment is recorded through allowance account. Impaired accounts receivable are written-off when they are assessed as uncollectible.

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 recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date that would have been determined had no impairment loss been recognised for the asset in prior years.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Group/Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group/Company has transferred their rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group/Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's/Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group/Company could be required to repay.

2.13 Inventories

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realisable value. Acquisition cost of inventories includes acquisition price and related taxes, and costs associated with bringing inventory into their current condition and location. Cost is determined on the first-in, first-out basis. Net realisable value is the selling price, less the estimated costs of completion, marketing and selling expenses.

2 *Accounting policies (continued)*

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks, callable deposits and other highly liquid investments (up to 3 months original maturity) that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are recognised in the statement of financial position as current borrowings.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits in settlement bank accounts, and other short-term highly liquid investments with original maturity up to 3 months.

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

Recognition of instruments as debt or equity instruments

Debt or equity instruments are classified as financial liabilities or equity based on the content of the contractual arrangement.

Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Group and the Company after deducting all of its liabilities. Equity instruments are recorded at the value of the income received net of direct issue costs.

Financial liabilities

Liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. The Group/Company does not have any financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are recognised at fair value, less transaction costs..

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest rate method (see Note 2.12).

If a financing agreement concluded before the balance sheet date proves that the liability was non-current as of the date of the balance sheet, that financial liability is classified as non-current.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.16 Foreign currency

Foreign currency transactions are accounted for at the exchange rates as of transaction date as established by the Bank of Lithuania, which approximates market rates. Monetary assets and liabilities are translated to Litas at exchange rate as of the balance sheet date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of comprehensive income of the reporting period.

Starting from 2 February 2002, Lithuanian litas is pegged to euro at the rate of 3.4528 litas for 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania. The applicable rates used for principal currencies were as follows:

At 31 March 2010			At 31 December 2009		
1 LVL	=	4.8726 LTL	1 LVL	=	4.8679 LTL
100 RUB	=	8.6978 LTL	100 RUB	=	7.9465 LTL
10 SEK	=	3.5412 LTL	10 SEK	=	3.3449 LTL
1 USD	=	2.5535 LTL	1 USD	=	2.4052 LTL
10 EEK	=	2.2067 LTL	10 EEK	=	2.2067 LTL

Separate financial statements of the entities of the Group are presented in the main currency of the economic environment in which the entity operates (functional currency). In consolidated financial statements, financial results and financial position of each Group company are presented in Litas, which is the functional currency of the Company and the presentation currency of the consolidated Group's financial statements.

2 *Accounting policies (continued)*

2.16 Foreign currency (continued)

When preparing separate financial statements of Group companies, transactions denominated in currencies other than functional currency of the company (in foreign currencies) are carried at the currency rate prevailing at the date of transaction. At each balance sheet date monetary items denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Non-monetary items measured at fair value and denominated in foreign currency are translated using the exchange rate as of the date the fair value was determined. Non-monetary items carried at cost and denominated in foreign currency are not translated.

The assets and liabilities (including comparative figures) of foreign subsidiaries are translated into Litas for the preparation of consolidated financial statements using the rate of exchange as of the balance sheet date. Income and expenses (including comparative figures) are translated into Litas using the average currency rate of the period, unless there were significant fluctuations of the currency rate during the reporting period in which case rate ruling at the date of transaction is applied. Currency exchange rate differences, if any, are recognised under foreign currency translation reserve in equity. These changes in foreign exchange rates are recognised in the statement of comprehensive income for the period in which the foreign subsidiary is disposed.

2.17 Grants

Asset-related grants

Government and the European Union grants and third party compensations received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Grants are initially recorded as liability at fair value of the asset and later recognised as revenue, reducing the depreciation charge of related asset over the expected useful life of the asset.

Income-related grants

Government and the European Union grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

2.18 Provisions

Provisions are recognised when the Group/Company has a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group/Company expects that provision amount in part or in full will be compensated, e.g. by insurance, compensation to be received is recorded as a separate asset, but only when it is virtually certain. Expenses related to provisions are recorded in the statement of comprehensive income, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

Provisions for pension payments

Each employee is entitled to 2 months salary payment when retiring after reaching the pension age according to Lithuanian legislation. Actuarial calculations are made to determine liability for this pension payment. The liability is recognised at present value discounted using market interest rate.

2.19 Employee benefits

(a) Social security contributions

The Company and the Group pay social security contributions to the State Social Security Fund (the Fund) on behalf of their employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

(b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2 *Accounting policies (continued)*

2.19 Employee benefits (continued)

(c) Bonus plans

The Company and the Group recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Accounting for lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Lease is recognised as financial lease, when all the risks and benefits incidental to ownership of the leased item are transferred to the lessee. Operating lease is the lease that cannot be classified as finance lease.

<u>The Group and the Company as a lessor</u>

Operating lease income is recognised on a straight-line basis over the lease term.

<u>The Group and the Company as a lessee</u>

Financial leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Respective finance lease liability is recorded in the statement of financial position. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Operating lease payments are recognised as expenses in the statement of comprehensive income on a straight-line basis over the lease term.

2.21 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board of directors that make strategic decisions.

2.22 Income and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with a transaction will flow to the Group/Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, returns of goods and discounts. The following specific recognition criteria must also be met before revenue is recognised:

<u>Revenue from sales of electricity</u>

Revenue from sale of electricity acquired at an auction, electricity export and public service obligations (PSO) electricity sales is recognised when substantially all risks and rewards related to the object of sale have been transferred to the buyer.

<u>Revenue from electricity-related services</u>

Revenue from electricity transmission and other electricity-related services is recognised after the service is rendered.

Tariff regulation

Tariffs for the electricity transmission services and PSO are regulated by the National Control Commission for Prices and Energy (hereinafter "the Commission") by establishing the upper limit of the tariff. Specific prices for the transmission and PSO services are established by the supplier of the service within the limits approved by the Commission.

Tariffs of electricity sold by the producers and independent suppliers as well as tariffs for capacity reserves are not regulated except the cases when the producer or supplier holds more than 25 per cent of the market. In latter case, the tariff setting is supervised by the Commission.

Tariffs for imported and exported electricity are not regulated.

2 *Accounting policies (continued)*

2.22 Revenue and expense recognition (continued)

In providing PSO services the Company and the Group earn income and incur expenses. PSO service fees are the fees paid to the suppliers of electricity under public service obligations scheme (based on annual quantities and prices of services established in advance). Subsequently, these services are provided to the distribution system operators and electricity consumers using a tariff established by the Commission. If at the end of the calendar year fees collected by the Company from electricity consumers and the distribution system operators for PSO services exceed or were less than the actual payments for PSO to suppliers of these services, the difference needs to be taken into account by the transmission system operator when setting the tariff for PSO services for the next year.

The Company and the Group purchase a capacity reserve service from electricity suppliers in accordance with capacity reserve agreements and subsequently render this service to the distribution system operators and electricity consumers using a tariff established by the Commission.

Connection of new users

Payments received for the connection of the new users initially were recognised as deferred income in 2009 and subsequently recognised as income over the same period during which the related costs of installation were charged. The related costs of installation, which include acquisition cost of non-current tangible assets and other costs, are capitalised and depreciated over the estimated useful lives of the capitalised assets.

The Company recognizes the income from the connection of new users immediately after the new user is connected since 2010.

Repair service revenue

Revenue from customer specific agreements/projects, i.e. repair services (Note 28), is recognised based on the proportion of the work completed, which is estimated by comparing actually incurred costs on the project with the project's total estimated cost. Expected change in the profitability is accounted in the statement of comprehensive income when such change is determined. Projects are reviewed periodically and if determined that a contract will be loss-making, respective provisions are accounted for.

Other income

Interest income is recognised by the accruals method considering the outstanding amount and the applicable interest rate. Received interest is recorded in the statement of cash flows as cash flows from operating activities.

Dividend income is recognised after the shareholders' rights to receive payment have been established. Received dividends are recorded in the statement of cash flows as cash flows from investing activities. Dividends of subsidiaries, attributable to the parent company, are eliminated in the consolidated financial statements.

Income and expenses related to the IT services provided by the Group and the Company, as well as related to the rest homes owned by the Group and the Company and the sales and lease of the non-current assets are accounted as other operating income and expenses.

Recognition of expenses

Expenses are recognised in the statement of comprehensive income as incurred by the accrual method.

2.23 Financing expenses

Financing expenses are recognised in the statement of comprehensive income as incurred by the accrual method.

2.24 Income tax

Income tax expense consists of the current year income tax and deferred tax expense.

Income tax

The current year income tax charge is based on taxable pre-tax profit for the year as modified by the items of income or expenses that are not subject to tax or deductable. Tax rates used to compute income tax expense are those applicable as of the date of the financial statements. In 2009, income tax at a rate of 20 per cent was applicable in Lithuania (2008: 15 per cent). With effect from 1 January 2010, income tax at a rate of 15 per cent is applied.

2 *Accounting policies (continued)*

2.24 Income tax (continued)

Deferred income tax

Deferred income tax is calculated using the balance sheet liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences between the carrying amounts of assets and liabilities for financial reporting purposes and their amounts used for income tax purposes. Deferred tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, and deferred tax assets are recognised to the extent to which they are expected to reduce taxable profit in the future. Such assets and liabilities are not recognised if temporary differences are related to goodwill (or negative goodwill), or if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the taxable profit nor financial profit.

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the Group and the Company to realise all or part of deferred tax assets. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are offset when they are related to profit taxes levied by the same tax authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Income tax and deferred tax for the accounting period

Income tax and deferred income tax are charged or credited to profit or loss, except when they relate to items included directly to equity, in which case the deferred income tax is also accounted for in equity.

On transition to IFRS, the Group and the Company treated the revalued amounts of property, plant and equipment as a deemed cost. As the tax base of the asset carried at deemed cost on transition to IFRS remained at acquisition cost (or an amount based on acquisition cost), revaluation gave rise to temporary differences associated with the asset and deferred tax liability has been accounted for. If, after transition to IFRS, this deferred tax liability is required to be remeasured (e.g. because of a change in tax rate), the Group and the Company account for the effect of remeasurement directly under retained earnings in the statement of financial position.

2.25 Earnings per share

Basic earning per share is calculated by dividing the net profit attributable to the shareholders by the weighted average of ordinary registered shares issued. Where the number of shares changes without causing a change in the economic resources, the weighted average of ordinary registered shares is adjusted in proportion to the change in the number of shares as if this change took place at the beginning of the previous period presented.

As at 31 March 2010 and in 2009, the weighted average number of shares, based on which the earnings per share are calculated, was 689,515,435. As at 31 March 2010 and 31 December 2009 as well as during the periods ending at these dates, the Company had no dilutive options outstanding, therefore, basic and diluted earnings per share do not differ.

2.26 Contingencies

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

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

2.27 Post-balance-sheet events

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

2.28 Related parties

Related parties are defined as shareholders, employees, members of the 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.

2 *Accounting policies (continued)*

2.29 Offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when certain accounting standards specifically require such set-off.

3 *Significant accounting estimates and judgments*

The preparation of financial statements according to International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. The areas where estimates are significant to these financial statements include fair value evaluation and depreciation of property, plant and equipment and investment property (Notes 2.2, 2.8, 5 and 6), evaluation of impairment for accounts receivable and investments (Notes 2.12, 7, 10 and 11), percentage of completion evaluation for repair service contracts (Notes 2.22 and 28), evaluation of provisions (Notes 2.18 and 21), and disclosure of contingent liabilities (Note 35). Future events may cause the assumptions used in arriving at the estimates to change. The effect of such changes in the estimates will be recorded in the financial statements when determined.

Recent volatility in global financial markets

The ongoing global liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against. Management is unable to reliably estimate the effects on the Company's and the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's and the Group's business in the current circumstances.

Tax audits

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's and Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Depreciation rates of property, plant and equipment

In assessing the remaining useful life of property, plant and equipment management takes account of the conclusions by the employees responsible for technical maintenance of assets.

Revaluation of property, plant and equipment

The fair value of the Group's and the Company's property, plant and equipment and investment property as at 31 December 2008 was determined by independent asset valuators who used a method of comparative prices or depreciated replacement value or discounted cash flows methods to determine the fair value of the assets, depending on the type of asset. Difference between the estimated fair value, and the carrying value, is disclosed in Note 2.2.

As at 31 December 2009, management adjusted carrying amounts of property, plant and equipment in accordance with the revaluation method. Having assessed the drop in the construction cost indices in 11 months of 2009 in respect of relevant categories of assets which is published by the Lithuanian Statistics Department, the Group and the Company reduced the carrying amount of property, plant and equipment. The Group and the Company applied a 12.27 per cent statistical index in respect of the category of buildings and a 9.68 per cent index in respect of other categories of property, plant and equipment that at 31 December 2008 were revalued based on depreciated replacement cost. In addition the Company's and Group's property, plant and equipment mainly real estate that as at 31 December 2008 was revalued using comparative prices method, was revalued at 31 December 2009 based on fair value changes of industrial real estate in Lithuania by region in 2009 provided by an independent valuer UAB Ober-Haus Nekilnojamasis Turtas. This report was derived from market evidence on changes of real estate prices. For further information see Note 5.

As at 31 March 2010 the Group and the Company assessed the change of the construction cost index, which is published by Lithuanian Statistic Department, in respect of relevant categories of assets through the period from 01 December 2009 till 31 March 2010. The decision was taken by the Management of the Group not to apply the statistical index and not to revaluate the assets as the change of the statistical index was insignificant.

Impairment of property, plant and equipment

The Group and the Company make an assessment, at least annually, whether there are any indicators that the book value of property, plant and equipment has been impaired. If that is the case, the Group and the Company make an impairment test in accordance with the accounting policy set out in Note 2.

3 Significant accounting estimates and judgments (continued)

The Group and the Company accounts for property, plant and equipment, except property, plant and equipment of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, at fair value according to International Accounting Standard No. 16 'Property, plant and equipment'. Fair value of nearly all items of property, plant and equipment of the Group and the Company due to their specific nature is measured based on a depreciated replacement cost approach as at 31 December 2008.

If the value of assets is measured using a depreciated replacement cost method, International Valuation Standards require that an adequate profitability test is performed. Accounting standards require a periodical review of property, plant and equipment for impairment. Property, plant and equipment should be impaired if its carrying value in the statement of financial position is higher than either its value in use or fair value less cost of sale. In other words, this means that the carrying amount of property, plant and equipment in the statement of financial position should be written down to the higher of either the current value of the future benefits that would be derived by the Group and Company from the continued use of the assets or the proceeds it would derive from the asset's immediate retirement and disposal.

The previous version of the Lithuanian Law on Electricity valid as at 31 December 2008 stipulated that the price caps of electricity transmission, distribution and public supply services were determined based on the value of assets used in licensed activities of the service provider with values being established on the grounds of data reported in the service provider's financial statements (Regulated Assets Base).

According to the amendment effective from 1 June 2009 the Law now requires the price caps of electricity transmission, distribution and public supply services to be determined based on the value of assets used in licensed activities of the service provider with values being estimated and approved by the National Control Commission for Prices and Energy (hereinafter "the Commission") in accordance with the principles of determination of the value of assets used in licensed activities of the service provider that have been drafted by the Commission and approved by the Government.

According to the Resolution on the Methodology of Determination of the Value of Assets used in Licensed Activities of the Electricity Service Provider, the determination of the price caps of electricity transmission, distribution and public supply services is to include the value of assets used in licensed activities of the service provider which is equal to net book value (carrying amount) of property, plant and equipment as at 31 December 2002 as increased by the amount of investments implemented and agreed with the Commission and reduced by the depreciation amount calculated pursuant to the procedure stipulated by the Lithuanian Law on Income Tax, etc.

Management believes, that the aforementioned amendments to regulatory legislation have a significant negative impact on the fair value of property, plant and equipment. Due to the reasons specified, values of property, plant and equipment reported in these financial statements may materially differ from those that would be determined if the valuation of assets were performed by independent valuers as required by International Valuation and Accounting Standards. It is probable that such valuation would have a negative effect on the results of the Company' and Group's activities and the shareholders' equity reported in the financial statements for the year 2009.

Valuation of fair values of property, plant and equipment as at 31 December 2009 was not performed by independent valuers, as the above-mentioned amendments made to regulatory legislation come into force only from 1 January 2010 and their impact on the future revenue generation of the Group and Company cannot be accurately assessed. Therefore in the opinion of management as at the date of these financial statements it is not possible to estimate the fair value of the Group's and Company's property, plant and equipment reliably. For information on performed revaluation of property, plant and equipment see paragraph *Revaluation of property, plant and* equipment (page 67) and Note 5.

Due to the same reasons described above as at 31 December 2009 the Group and the Company did not performed the impairment testing of property, plant and equipment of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, which are carried at cost less accumulated depreciation and impairment losses.

<u>Impairment of investments to subsidiaries (in the Company) and associates (in the Group and the Company)</u>

Since the shares of the subsidiaries and associated entities are not listed, the Group/Company estimated the recoverable value of these investments based on the carrying value of the Group's/Company's share of the subsidiary's/associate's net assets, which approximates its fair value as at 31 March 2009 based on the judgement of management, except for the investment in subsidiary Kauno Energetikos Remontas UAB, which incurred losses and significant decline in the volume of operations. The recoverable amount of this investment was estimated by the Company based on the expected net assets realisable value considering each balance sheet item separately. The estimated realisable values vary from 75% to 100% from the respective net assets items carrying amounts. No observable market data was used in this estimate in 2008. The recoverable amount of the investment in subsidiary Kauno Energetikos Remontas UAB as at 31 December 2009 was estimated by discounting future cash flows using a 13.42 per cent discount rate. The expected cash flow was determined taking into account reorganisational processes carried out at the subsidiary that are expected to reduce costs and making an assumption that the recovery of the Lithuanian economy will enable the Company to generate more revenue. Increase in revenue is linked with the tender awarded to the Company for the reconstruction of Panevėžys transformer substation of Lietuvos Energija AB. Based on the above-mentioned assumptions, the estimated recoverable amount exceeds the carrying amount of the investment as at 31 December 2009, therefore no additional impairment for investments in subsidiaries as at 31 December 2009 was recognised. Preliminary tasks were performed for the reconstruction of Panevėžys transformer substation of Lietuvos Energija AB through the three month period 2010. The increase of income is expected per 2010. Therefore no additional impairment was calculated.

3 Significant accounting estimates and judgments (continued)

The underlying principles used for other material estimates are outlined in the respective notes to the financial statements.

As at the date of these financial statements, there was no significant risk that the book amount of assets and liabilities will be subject to important corrections in the next accounting year due to changes in management's assumptions and estimates, except for (a) the adjustments which might be needed if the estimates of management of the fair value of non-current tangible assets of Kauno Energetikos Remontas UAB, as described above, are changed, and (b) the adjustments which might be needed due to uncertainty in respect of the determination of the value of property, plant and equipment used in licensed activities as at 31 March 2010, as described above.

4 Intangible assets

The structure of the Group's intangible assets as at 31 March 2010 and 31 December 2009 is as follows:

Group	Patents and licences	Software	Other intangible assets	Total
At 31 December 2008				
Cost	2,358	18,100	36	20,494
Accumulated amortisation	(2,222)	(14,997)	(21)	(17,240)
Accumulated impairment	-	(105)	-	(105)
Net book amount at 31 December 2008	**136**	**2,998**	**15**	**3,149**
Year ended 31 December 2008				
Opening net book amount	136	2,998	15	3,149
Amortisation charge	(80)	(365)	(2)	(447)
Impairment	-	8	-	8
Net book amount at 31 March 2009	**56**	**2,641**	**13**	**2,710**
At 31 March 2009				
Cost	2,358	17,544	36	19,938
Accumulated amortisation	(2,302)	(14,806)	(23)	(17,131)
Accumulated impairment	-	(97)	-	(97)
Net book amount at 31 March 2009	**56**	**2,641**	**13**	**2,710**
At 31 December 2009				
Cost	2,155	18,231	54	20,440
Accumulated amortisation	(2,144)	(15,705)	(31)	(17,880)
Accumulated impairment	-	(105)	-	(105)
Net book amount at 31 December 2009	**11**	**2,421**	**23**	**2,455**
At 31 March 2010				
Opening net book amount	11	2,421	23	2,455
Additions	-	490	-	490
Amortisation charge	(2)	(368)	(2)	(372)
Transferred to PPE	-	963	-	963
Net book amount at 31 March 2010	**9**	**3,506**	**21**	**3,536**
At 31 March 2010				
Cost	2,155	15,850	54	18,059
Accumulated amortisation	(2,146)	(12,239)	(33)	(14,418)
Accumulated impairment	-	(105)	-	(105)
Net book amount at 31 March 2010	**9**	**3,506**	**21**	**3,536**

The structure of the Company's intangible assets as at 31 March 2010 and 31 December 2009 is as follows:

Company	Patents and licences	Software	Other intangible assets	Total
At 31 December 2008				
Cost	2,277	17,941	-	20,218
Accumulated amortisation	(2,159)	(14,915)	-	(17,074)
Net book amount at 31 December 2008	**118**	**3,026**	**-**	**3,144**
Year ended 31 December 2008				
Opening net book amount	118	3,026	-	3,144
Impairment	(79)	(359)	-	(438)
Net book amount at 31 March 2009	**39**	**2,667**	**-**	**2,706**
At 31 March 2009				
Cost	2,277	17,385	-	19,662
Accumulated amortisation	(2,238)	(14,718)	-	(16,956)
Net book amount at 31 March 2009	**39**	**2,667**	**-**	**2,706**
At 31 December 2009				
Cost	2,073	17,910	-	19,983
Accumulated amortisation	(2,073)	(15,550)	-	(17,623)
Net book amount at 31 December 2009	**-**	**2,360**	**-**	**2,360**
At 31 March 2010				
Opening net book amount	-	2,360	-	2,360
Additions	-	160	-	160
Write-offs	-	(1,283)	-	(1,283)
Amortisation charge	-	(264)	-	(264)
Transferred to PPE	-	965	-	965
Net book amount at 31 March 2010	**-**	**1,938**	**-**	**1,938**
At 31 March 2010				
Cost	2,049	13,917	-	15,966
Accumulated amortisation	(2,049)	(11,979)	-	(14,028)
Net book amount at 31 March 2010	**-**	**1,938**	**-**	**1,938**

*Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.***4 Intangible assets (continued)**

Acquisition cost of the Group's and the Company's intangible assets, which were fully amortised but still in use as at 31 March 2010 and 31 December 2009, is as follows:

Category of intangible assets	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Patents and licenses	2,049	2,049	2,073	2,073
Computer software	9,960	9,896	13,140	13,089
Total	**12,009**	**11,945**	**15,213**	**15,162**

5 *Property, plant and equipment*

The structure of the Group's property, plant and equipment as at 31 March 2010 and 31 December 2009 is as follows:

Group	Land	Buildings	Structures and machinery	Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 December 2008								
Cost	286	199,607	2,186,547	648,893	9,596	63,235	146,202	3,254,366
Accumulated depreciation	-	-	-	(92,130)	-	-	-	(92,130)
Accumulated impairment	-	(6,686)	(4,013)	(1,138)	-	(728)	-	(12,565)
Net book amount	**286**	**192,921**	**2,182,534**	**552,625**	**9,596**	**62,507**	**146,202**	**3,149,671**
At 31 March 2009								
Opening net book amount	286	192,921	2,182,534	555,625	9,596	62,507	146,202	3,149,671
Additions	-	63	89	2,355		4,544	11,609	18,660
Revaluation	-	(511)	(3,620)	-	-	-	-	(4,131)
Disposals	-	-	-	-	(8)	-	-	(8)
Write-offs	-	-	(2)	(1)	-	(7)	-	(10)
Reversal of impairment	-	-	-	46	-	-	-	46
Reclassification between groups	-	205	8,577	-	-	(597)	(8,185)	-
Depreciation charge		(1,278)	(31,602)	(5,656)	(774)	(4,597)	-	(43,907)
Net book amount	**286**	**191,400**	**2,155,976**	**552,369**	**8,814**	**61,850**	**149,626**	**3,120,321**
At 31 March 2009								
Cost or revaluated amount	286	198,086	2,159,989	651,247	8,814	62,578	149,626	3,230,626
Accumulated depreciation	-	-	-	(97,786)	-	-	-	(97,786)
Accumulated impairment	-	(6,686)	(4,013)	(1,092)	-	(728)	-	(12,519)
Net book amount	**286**	**191,400**	**2,155,976**	**552,369**	**8,814**	**61,850**	**149,626**	**3,120,321**

5 *Property, plant and equipment (continued)*

Group	Land	Buildings	Structures and machinery	Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 December 2009								
Cost	286	135,125	2,009,335	687,391	9,841	90,084	26,661	2,958,723
Accumulated depreciation	-	-	-	(114,413)	(2,900)	(19,474)	-	(136,787)
Accumulated impairment	-	(4,953)	(4,013)	(769)		(256)	-	(9,991)
Net book amount	**286**	**130,172**	**2,005,322**	**572,209**	**6,941**	**70,354**	**26,661**	**2,811,945**
Year ended 31 March 2010								
Opening net book amount	286	130,172	2,005,322	572,209	6,941	70,354	26,661	2,811,945
Additions	-	-	34	5,288	376	-	4,756	10,454
Write-offs	-	-	(94)	(1)	-	-	-	(95)
Reclassification between groups	-	199	3,276	-	-	901	(4,376)	-
Transferred to Intangible assets	-	-	-	-	-	(963)	-	(963)
Transferred to investment property (Note 6)	-	(899)	-	-	-	-	-	(899)
Depreciation charge	-	(969)	(30,098)	(5,500)	(683)	(4,216)	-	(41,466)
Net book amount	**286**	**128,503**	**1,978,440**	**571,996**	**6,634**	**66,076**	**27,041**	**2,778,976**
At 31 March 2010								
Cost or revaluated amount	286	133,456	1,982,453	692,678	10,217	90,022	27,041	2,936,153
Accumulated depreciation	-	-	-	(119,913)	(3,583)	(23,690)	-	(147,186)
Accumulated impairment	-	(4,953)	(4,013)	(769)	-	(256)	-	(9,991)
Net book amount	**286**	**128,503**	**1,978,440**	**571,996**	**6,634**	**66,076**	**27,041**	**2,778,976**

As described in Note 3, revaluation of property, plant and equipment of the Company (except for the assets of the Hydro Power Plant and the Pumped Storage Plant) was carried out as at 31 December 2009. The total amount of the decrease arising on revaluation was LTL 232,743 thousand and the latter amount was recognised as follows:

	Decrease in other comprehensive income and revaluation reserve in equity	Charged to the profit and loss	Total revaluation deficit
Assets previously revalued using depreciated replacement cost method	124,307	73,058	197,365
Assets previously revalued using comparative prices method	31,467	8,102	39,569
	155,774	**81,160**	**236,934**

As at 31 December 2009, the Group reclassified the asset of LTL 8,042 thousand, net of impairment of LTL 2,927 thousand, from the category of buildings, structures and machinery and other property, plant and equipment to inventories (Note 9).

As described in Note 3, property, plant and equipment impairment test was performed by the Group as at 31 March 2010. Additional impairment was not accounted for.

The structure of the Company's property, plant and equipment as at 31 march 2009 and 31 December 2009 is as follows:

Company	Land	Buildings	Structures and machinery	Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 December 2008								
Cost	286	156,404	2,177,144	648,893	8,343	62,646	146,339	3,200,055
Accumulated depreciation	-	-	-	(92,130)	-	-	-	(92,130)
Accumulated impairment	-	(145)	(1,224)	(1,138)	-	(728)	-	(3,235)
Net book amount	**286**	**156,259**	**2,175,920**	**555,625**	**8,343**	**61,918**	**146,339**	**3,104,690**

5 *Property, plant and equipment (continued)*

Company	Land	Buildings	Structures and machinery	Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
Year ended 31 December 2008								
Opening net book amount	286	156,259	2,175,920	555,625	8,343	61,918	146,339	3,104,690
Additions	-	-	47	2,355	-	4,544	11,609	18,555
Revaluation	-	(511)	(3,620)	-	-	-	-	(4,131)
Write-offs	-	-	-	(1)	-	(7)	-	(8)
Reversal of impairment	-	-	-	46	-	-	-	46
Reclassifications between groups	-	205	8,577	-	-	(597)	(8,185)	0
Depreciation charge	-	(1,068)	(31,306)	(5,656)	(693)	(4,562)	-	(43,285)
Net book amount	**286**	**154,885**	**2,149,618**	**552,369**	**7,650**	**61,296**	**149,763**	**3,075,867**
At 31 March 2009								
Cost or revaluated amount	286	155,030	2,150,842	651,247	7,650	62,024	149,763	3,176,842
Accumulated depreciation	-	-	-	(97,786)	-	-	-	(97,786)
Accumulated impairment	-	(145)	(1,224)	(1,092)	-	(728)	-	(3,189)
Net book amount	**286**	**154,885**	**2,149,618**	**552,369**	**7,650**	**61,296**	**149,763**	**3,075,867**
At 31 December 2009								
Cost or revaluated amount	286	100,785	2,003,654	687,391	5,856	71,549	27,209	2,896,730
Accumulated depreciation	-	-	-	(114,413)	-	-	-	(114,413)
Accumulated impairment	-	(145)	(1,224)	(769)	-	(728)	-	(2,866)
Net book amount	**286**	**100,640**	**2,002,430**	**572,209**	**5,856**	**70,821**	**27,209**	**2,779,451**
Year ended 31 March 2010								
Opening net book amount	286	100,640	2,002,430	572,209	5,856	70,821	27,209	2,779,451
Additions	-	-	34	5,288	1,108	(1,142)	4,756	10,044
Write-offs	-	-	(94)	(1)	(166)	(7,059)	-	(7,320)
Reclassifications between groups	-	197	3,276	-	-	903	(4,376)	-
Transferred to Intangible assets	-	-	-	-	-	(965)	-	(965)
Transferred to investment property	-	4,194	-	-	-	-	-	4,194
Depreciation charge	-	(796)	(30,104)	(5,500)	(603)	(4,021)		(41,024)
Net book amount	**286**	**104,235**	**1,975,542**	**571,996**	**6,195**	**58,537**	**27,589**	**2,744,380**
At 31 March 2010								
Cost or revaluated amount	286	104,380	1,976,766	692,678	6,195	59,265	27,589	2,867,159
Accumulated depreciation	-	-	-	(119,913)	-	-	-	(119,913)
Accumulated impairment	-	(145)	(1,224)	(769)	-	(728)	-	(2,866)
Net book amount	**286**	**104,235**	**1,975,542**	**571,996**	**6,195**	**58,537**	**27,589**	**2,744,380**

As described in Note 3, revaluation of property, plant and equipment of the Company (except for the assets of the Hydro Power Plant and the Pumped Storage Plant) was carried out as at 31 December 2009. The total amount of the decrease arising on revaluation was LTL 232,743 thousand and the latter amount was recognised as follows:

	Decrease in other comprehensive income and revaluation reserve in equity	Charged to the profit and loss	Total revaluation deficit
Assets previously revalued using depreciated replacement cost method	124,307	73,058	197,365
Assets previously revalued using comparative prices method	27,402	7,976	35,378
	151,709	**81,034**	**232,743**

As described in Note 3, property, plant and equipment impairment test was performed by the Company as at 31 March 2010. Additional impairment was not accounted for.

5 *Property, plant and equipment (continued)*

The key investment project completed by the Company in trhee months period of 2010 is as follows:

Project	Value, LTL thousand
Reconstruction of 110kV switchgear at 110/10kV Ignalina transformer	3,854

Net book amounts of property, plant and equipment acquired by the Group under financial lease contracts as at 31 March 2010 and 31 December 2009 are as follows:

Category of PP&E	At 31 March 2010	At 31 December 2009
Machinery and equipment	3,691	3,705
Motor vehicles	267	331
Total	**3,958**	**4,036**

The Group/Company has significant contractual obligations to purchase non-current tangible assets, which have to be fulfilled in later periods. The Company continues an investment project on the modernisation of Kaunas Hydro Power Plant valued at LTL 138 million. LTL 30 million from this amount will be financed by the European Regional Development Fund and from the national co-financing. Alstom Power Sweden AB is the general contractor of the project. As at 31 March 2010, construction works for LTL 117 million have been completed under the general contract. The Group's/Company's liability under this project amounts to LTL 21 million as at 31 March 2010 (31 December 2009: LTL 12 million). The Group's/Company's other material purchase commitments related to non-current tangible assets amounts to LTL 27 million as at 31 March 2010 (31 December 2009: LTL 10,5 million).

Below are presented carrying amounts of the Company's and the Group's property, plant and equipment that would have been recognised had the assets been carried using a cost method as at 31 December 2009.

Group	Land	Buildings	Structures and machinery	Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construc-tion in progress	Total
At 31 December 2009								
Net book amount	**119**	**138,355**	**1,716,259**	**572,209**	**6,913**	**68,794**	**27,948**	**2,530,597**

Company	Land	Buildings	Structures and machinery	Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construc-tion in progress	Total
At 31 December 2009								
Net book amount	**119**	**98,772**	**1,708,012**	**572,209**	**5,856**	**67,844**	**27,948**	**2,480,760**

6 *Investment property*

	Group	Company
At 31 December 2008		
Cost	4,377	22,699
Accumulated depreciation	(458)	(920)
Net book amount	**3,919**	**21,779**
Year ended 31 March 2009		
Opening net book amount	3,919	21,779
Depreciation charge	(24)	(81)
Net book amount at 31 March 2009	**3,895**	**21,698**
At 31 March 2009		
Cost	4,377	22,699
Accumulated depreciation	(482)	(1,001)
Net book amount at 31 March 2009	**3,895**	**21,698**
At 31 December 2009		
Cost	24,441	44,907
Accumulated depreciation	(819)	(1,514)
Accumulated impairment charge	(6,362)	(6,362)
Net book amount at 31 December 2009	**17,260**	**37,031**
At 31 December 2009		
Opening net book amount	17,260	37,031
Reclassifications between groups	899	(4,194)
Depreciation charge	(118)	(167)
Net book amount at 31 March 2010	**18,041**	**32,670**
At 31 March 2010		
Cost	25,340	40,713
Accumulated depreciation	(937)	(1,681)
Accumulated impairment charge	(6,362)	(6,362)
Net book amount at 31 March 2010	**18,041**	**32,670**

In 2009 Group and Company recognised the impairment charge for some investment properties based on decrease in certain real estate market prices as estimated by an independent valuer Ober-Haus Nekilnojamasis Turtas UAB. The impairment charge was accounted for by reducing revaluation reserve, as this investment property was transferred from property, plant and equipment, which was accounted for at fair value. There was no additional impairment recognised as at 31 March 2010.

As estimated by the Company based on observable market data, the fair value of the investment property of the Group and the Company as at 31 March 2010 and 31 December 2009 approximates to their carrying amounts.

Income from lease of investment property of the Group and the Company in 3 months period of 2010 amounted to LTL 248 thousand and LTL 364 thousand, respectively. Rental income of the Group and the Company in 2009 amounted to LTL 245 thousand and 508 thousand, respectively. The average validity term of lease contracts concluded is 2 years as at 31 March 2010.

7 *Investments*

As at 31 March 2010 and 31 December 2009, the Company had direct control over these subsidiaries:

Subsidiary	Acquisition cost	Impairment	Carrying amount
At 31 March 2010			
UAB „Kauno energetikos remontas"	31,341	(15,441)	15,900
LITGRID UAB	9,748	-	9,748
UAB „Kruonio investicijos»	2,361	(914)	1,447
UAB "Interlinks"	1,903	-	1,903
Energijos tiekimas UAB	750	-	750
UAB „Energetikos pajėgos"	414	-	414
VŠĮ Respublikinis energetikų mokymo centras	-	-	-
Total	**46,517**	**(16,355)**	**30,162**

Subsidiary	Acquisition cost	Impairment	Carrying amount
At 31 December 2009			
UAB „Kauno energetikos remontas"	31,341	(15,441)	15,900
UAB „Kruonio investicijos»	2,361	(914)	1,447
UAB "Interlinks"	903	-	903
LITGRID UAB	500	-	500
UAB „Energetikos pajėgos"	414	-	414
Energijos tiekimas UAB	400	-	400
VŠĮ Respublikinis energetikų mokymo centras	-	-	-
Total	**35,919**	**(16,355)**	**19,564**

Energijos Tiekimas UAB was established at the end of 2009. The principal activities of Energijos Tiekimas UAB include an independent supply of electricity, representing supply, planning, projecting, balancing, purchase, sale, import, export of electricity and other related activities. The objective of the company is the performance of operations of an independent suppliers in Lithuania, Latvia and Estonia from the beginning of 2010.

Litgrid UAB was established at the end of 2009. As the transmission system operator Litgrid UAB starting 1 January 2010 will be responsible for ensuring effective and reliable operation of the Lithuanian power system.

Respublikinis energetikų mokymo centras VŠĮ is a non-profit public legal person of limited civil liability founded according to the procedure prescribed by the Law on Public Establishments. The Lithuanian Law on Public Establishments No. I-1428 imposes limitations on the allocation of the profit earned by a public establishment. The profit earned by a public establishment may not be used for any other objectives than those specified in the articles of association of the public establishment.

In 2009 the company's management decided to include Respublikinis energetikų mokymo centras VŠĮ in the consolidated financial statements of the Group. The financial information was consolidated for the first time in the consolidated financial statements as at 31 December 2009. Following financial information, related to Respublikinis energetikų mokymo centras VŠĮ, was not included to the statement of comprehensive income for the period ended 31 December 2009:

	Carrying amount 2009-03-31
Sales revenue	1,209
Expenses	(1,382)
Net profit (loss)	(173)

Based on the Board's decision of 7 October 2009 the Company acquired InterLinks UAB from LEO, AB. The main project developed by InterLinks UAB is the interconnection between the electricity transmission systems of Lithuania and Sweden.

7 Investments (continued)

Assets and liabilities acquired in the acquisition transaction of Interlinks UAB are as follows:

	Carrying amount
Intangible assets	17
Current accounts receivable	101
Cash and cash equivalents	120
Current borrowings	(691)
Current accounts payable and other liabilities	(63)
Net assets acquired	**(516)**

The Company had indirect control over Gotlitas UAB and until 2 June 2009 over Kaliningradski Energoremont OOO, i.e. through Kauno Energetikos Remontas UAB (Note 1). The Company also had indirect control over BALTPOOL UAB through LITGRID UAB.

Baltpool UAB was established at the end of 2009 as a subsidiary of Litgrid UAB to perform the functions of the Lithuanian electricity market operator. The principal activity of Baltpool UAB is the organisation of transmission trading.

Structure of the Company's investments in the associates and the joint venture as at 31 March 2010 and 31 December 2009 is as follows:

Group At 31 March 2010	**Acquisition cost**	**Ownership (% of shares)**	**Impairment and equity method**	**Carrying amount**
AS „Nordic Energy Link"	21,175	25.00	1,106	22,281
UAB „Geoterma"	7,396	23.44	(3,718)	3,678
„LitPol Link" Sp.z.o.o	1,020	50.00	(1,020)	-
UAB „Enmašas"	20	33.33	(6)	14
Total	**29,611**		**(3,638)**	**25,973**

Group At 31 December 2009	**Acquisition cost**	**Ownership (% of shares)**	**Impairment and equity method**	**Carrying amount**
AS „Nordic Energy Link"	21,175	25.00	970	22,145
UAB „Geoterma"	7,396	23.44	(3,718)	3,678
„LitPol Link" Sp.z.o.o	1,020	50.00	(1,020)	-
UAB „Enmašas"	20	33.33	(6)	14
Total	**29,611**		**(3,774)**	**25,837**

Structure of the Group's investments in the associates and the joint venture as at 31 March 2010 and 31 December 2009 is as follows:

Company At 31 March 2010	**Acquisition cost**	**Ownership (% of shares)**	**Impairment**	**Carrying amount**
AS „Nordic Energy Link"	21,175	25.00	-	21,175
UAB „Geoterma"	7,396	23.44	(3,718)	3,678
„LitPol Link" Sp.z.o.o	1,020	50.00	(1,020)	-
Total	**29,591**		**(4,738)**	**24,853**

Company At 31 December 2009	**Acquisition cost**	**Ownership (% of shares)**	**Impairment**	**Carrying amount**
AS „Nordic Energy Link"	21,175	25.00	-	21,175
UAB „Geoterma"	7,396	23.44	(3,718)	3,678
„LitPol Link" Sp.z.o.o	1,020	50.00	(1,020)	-
Total	**29,591**		**(4,738)**	**24,853**

7 Investments (continued)

Financial position as at 31 March 2010 and 31 December 2009 and operating results for the years 2010 and 2009 of the associates and the joint venture are as follows (unaudited):

At 31 March 2010	**Assets**	**Liabilities**	**Sales revenue**	**Net profit (loss)**
AS „Nordic Energy Link"	330,670	246,941	18,515	544
UAB „Geoterma"	56,791	14,897	2,794	(385)
„LitPol Link" Sp.z.o.o	1,090	538	799	249
UAB „Enmašas" *				

At 31 December 2009	**Assets at 31 December 2009**	**Liabilities at 31 December 2009**	**Sales revenue**	**Net profit (loss)**
AS „Nordic Energy Link"	327,797	244,612	61,395	3,880
UAB „Geoterma"	56,749	16,591	18,333	2,122
„LitPol Link" Sp.z.o.o	1,627	1,092	2,917	(71)
UAB „Enmašas" *	208	-	28	(66)

*- at the date of signing of these financial statements, the financial statements of this company have not been presented. On 25 September 2009, Enmašas UAB was placed under the liquidation status.

Movements of investments in the associates and the joint venture during the periods ended 31 March 2010 and 31 December 2009 were as follows:

	Group at 31 March 2010	**Company at 31 March 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Carrying amount at 1 January	**25,837**	**24,853**	**25,699**	**24,760**
Increase in investments	-	-	-	-
Increase (decrease) in value of investments	-	-	-	93
Share of financial result (loss) of associates and joint ventures	136	-	138	-
Carrying amount at the end of the period	**25,973**	**24,853**	**25,837**	**24,853**

The impairment charge was included in finance costs in the statement of comprehensive income.

8 Non-current receivables

The Group's and the Company's non-current accounts receivable comprise as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Other receivables	518	518	538	538
Total	**518**	**518**	**538**	**538**
Less: current portion (Note 11)	(28)	(28)	(28)	(28)
Carrying amount	**490**	**490**	**510**	**510**

The fair value of other non-current accounts receivable approximates their carrying amounts.

9 Inventories

Inventories of the Group and the Company are shown in the table below.

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Materials and consumables, production in progress and finished goods at acquisition (production) cost	9,927	4,005	9,291	4,144
Non-current assets held for sale	3,205	-	3,205	-
Goods for resale at acquisition cost	146	146	146	146
Less: write-down to net realisable value	(5,629)	(1,014)	(5,618)	(1,045)
Carrying amount	**7,649**	**3,137**	**7,024**	**3,245**

The acquisition cost of the Group's and the Company's inventories accounted for at net realisable value as at 31 March 2010 amounted to LTL 6,978 thousand and LTL 488 thousand, respectively (31 December 2009: LTL 5,872 thousand and LTL 1,454 thousand, respectively).

Amount of inventory recognised as expense in the Group and the Company during the period ended 31 March 2010 amounted to LTL 1,930 thousand and LTL 801 thousand, respectively (2009: LTL 9,075 thousand and LTL 4,831 thousand, respectively).

As described in Note 5, in 2009 the Group transferred buildings, structures and machinery and other property, plant and equipment amounting to LTL 8,042 thousand to the category of assets held for sale, from which LTL 4,837 thousand were disposed in 2009. The Group's management has approved the sale plan for the residual property and expects to complete the sale within 2010.

Movements in impairment of inventories during the periods ended 31 March 2010 and 31 December 2009 are shown in the table below:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Impairment provision for inventories at 1 January	5,618	1,045	4,448	858
Write-down of inventories during the reporting period	54	12	1,375	393
Reversal of inventory write-down	(43)	(43)	(205)	(206)
Impairment provision for inventories at 31 March	**5,629**	**1,014**	**5,618**	**1,045**

The impairment charge was included in other operating expenses in the statement of comprehensive income.

10 Trade receivables

Trade receivables of the Group and the Company are as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Receivables for electricity sold in Lithuania	164,009	73,240	142,037	142,037
Unbilled revenue from electricity-related sales	11,165	10,741	8,576	8,576
Receivables for repair and design works	6,660	-	7,894	-
Receivables for electricity transit	384	369	-	-
Receivables for exported electricity	-	-	23,543	23,543
VAT on unbilled revenue	-	-	25	25
Total	**182,218**	**84,350**	**182,075**	**174,181**
Less: provision for doubtful receivables	(11,706)	(9,987)	(11,733)	(10,024)
Carrying amount	**170,512**	**74,363**	**170,342**	**164,157**

The fair value of trade receivables approximates their carrying amounts.

Movements in impairment of trade receivables during the periods ended 31 March 2010 and 31 December 2009 are shown in the table below:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Carrying amount at 1 January	**11,733**	**10,024**	**10,313**	**9,612**
Recognised as doubtful receivables in the reporting period	588	578	1,420	412
Reversal of doubtful receivables	(615)	(615)	-	-
Carrying amount at the end of the period	**11,706**	**9,987**	**11,733**	**10,024**

The impairment charge of doubtful receivables was included in other operating expenses in the statement of comprehensive income.

As at 31 March 2010 and 31 December 2009, the majority of impaired trade receivables of the Group and the Company consisted of trade receivables from Ekranas AB (LTL 9,612 thousand) which had gone bankrupt as of the date of the financial statements.

The ageing analysis of the Group's and the Company's trade receivables that were not recognised as past due or were recognised as past due but not impaired is as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Not past due	164,077	73,586	163,877	162,780
Past due up to 30 days	3,554	2	3,085	1,377
Past due from 30 to 60 days	707	400	3,380	-
Past due over 60 days	2,174	375	-	-
Carrying amount	**170,512**	**74,363**	**170,342**	**164,157**

11 Other receivables

Current other trade receivables of the Group and the Company are as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Loan granted to LEO AB	73,309	73,309	73,309	73,309
Receivables for IT and telecommunications services	3,008	3,088	2,623	2,623
Other receivables	2,645	6,087	4,444	4,199
Deferred VAT receivable	892	375	-	-
Accrued interest receivable	634	587	840	840
VAT receivable from the budget	275	-	-	-
Current portion of long-term receivables (Note 8)	28	28	28	28
Receivables for the rent of the grid, maintenance and other services	-	13,234	-	-
Loan granted to Energijos tiekimas UAB	-	5,780	-	-
Loan granted to Kauno energetikos remontas UAB	-	1,000	-	-
Loan granted to UAB Interlinks	-	691	-	691
Total	**80,791**	**104,179**	**81,244**	**81,690**
Less: provision for doubtful receivables	(3,711)	(3,641)	(3,676)	(3,676)
Carrying amount at the end of the period	**77,080**	**100,538**	**77,568**	**78,014**

The repayment date of the loan granted to LEO AB is 31st May 2010.

Movements in impairment of doubtful other receivables during the periods ended 31 March 2010 and 31 December 2009 are as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Carrying amount at 1 January	**3,676**	**3,676**	**4,870**	**4,870**
Reversal of doubtful receivables	(241)	(236)	(4)	(4)
Write-down of doubtful receivables	-	-	(1,388)	(1,388)
Recognised as doubtful receivables in the reporting period	276	201	198	198
Carrying amount at the end of the period	**3,711**	**3,641**	**3,676**	**3,676**

The impairment charge was included in other operating expenses in the statement of comprehensive income.

The ageing analysis of the Group's and the Company's current other receivables that were not recognised as past due or were recognised as past due but not impaired is as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Not past due	76,644	99,965	77,258	77,704
Past due up to 30 days	84	107	144	144
Past due from 30 to 60 days	51	109	166	166
Past due from 60 days	301	357		
Carrying amount	**77,080**	**100,538**	**77,568**	**78,014**

The fair value of other current accounts receivable approximates their carrying amounts.

12 Other financial assets

On 9 June 2009, the Company acquired 12,314 units of debt securities issued by the Lithuanian Government with the maturity of one year. The nominal value of the issue was EUR 12,314 thousand, the total amount paid was EUR 11,500 thousand (LTL 39,705 thousand). Yield prior to maturity was 6.85 per cent. Bonds were sold between November and December 2009.

13 Term deposits

Term deposits of the Group and the Company are shown in the table below:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Term deposit at Danske Bank A/S (contract currency litas), maturity – August 2010	17,500	-	-	-
Term deposit at AB SEB bankas ((contract currency litas), maturity - June 2010	17,000	17,000	17,000	17,000
Other term deposits	310	-	160	-
Carrying amount	**34,810**	**17,000**	**17,160**	**17,000**

The carrying amounts of term deposits approximate their fair values. Company's interest rate on term deposits is 8.40 per cent. Group's interest rate weighted average on term deposits with maturity over 3 months as at 31 March 2010 was 5.58 per cent.

14 Cash and cash equivalents

Cash and cash equivalents of the Group and the Company are disclosed in the table below:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Cash at bank and in hand	69,612	44,299	9,286	6,866
Overnight deposit at Swedbank AB (contract currency litas)	8,630	8,630	481	481
Overnight deposit at Danske Bankas A/S Lithuanian Branch (contract currency litas), maturity – June 2010	6,000	-	-	-
Term deposit at Ūkio bankas AB (contract currency litas), maturity – May 2010	450	-	-	-
Money Market Fund Investment Units at AB DnB NORD Bankas	105	-	-	-
Term deposit at Swedbank AB (contract currency litas), maturity – January 2010	-	-	10,000	10,000
Term deposit at Swedbank AB (contract currency litas), maturity – January 2010	-	-	10,000	10,000
Term deposit at Danske Bankas (contract currency litas), maturity –January 2010	-	-	10,000	10,000
Term deposit at Danske Bankas (contract currency litas), maturity – January 2010	-	-	7,000	7,000
Term deposit at Danske Bankas (contract currency litas), maturity –January 2010	-	-	7,000	7,000
Term deposit at SEB Bankas AB (contract currency litas), maturity – February 2010	-	-	300	-
Term deposit at SEB Bankas AB (contract currency litas), maturity – January 2010	-	-	100	-
Carrying amount	**84,797**	**52,929**	**54,167**	**51,347**

14 Cash and cash equivalents (continued)

The fair value of the Group's and the Company's cash and term deposits approximates their carrying amount.

The original maturity of all deposits is three months. As at 31 March 2010 the Comapny did not have term deposits of which maturity is three months. The Group's interest rate weighted average on term deposits with maturity up to 3 months at 31 March 2010 was 3.58 per cent.

As at 31 March 2010 the Company had no effective overdraft agreements.

15 Share capital

At 31 March 2010 the share capital of the Company was LTL 689,515,435. It was divided into 689,515,435 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The highest share price at the Stock Exchange session in 2010 was LTL 2,50 per share (2009 – LTL 3,39), the lowest – LTL 2,15 per share (2009 – LTL 1,29). The number of shareholders as at 31 March 2010 was 5,930 (31 December 2009 - 5,867).

The shareholders' structure of the Company was as follows:

Shareholders	Share capital at 31 March 2010 LTL	Share capital at 31 March 2010 %	Share capital at 31 December 2009 LTL	Share capital at 31 December 2009 %
LEO LT, AB	664,700,833	96.40	664,700,833	96.40
State of Lithuania represented by the Ministry of the Energy	556	0.00	556	0.00
Other	24,814,046	3.60	24,814,046	3.60
Total	**689,515,435**	**100.00**	**689,515,435**	**100.00**

LEO LT, AB is owned by the State of Lithuania represented by the Ministry of the Energy (100 %).

16 Legal reserve

Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As at 31 March 2010 and 31 December 2009 the Company had fully formed a legal reserve, which accounted for 10 per cent of the share capital and amounted to LTL 68,952 thousand.

17 Other reserves

Other reserves of the Group and the Company are as follows:

Group	Reserve for share capital reduction due to transfer of fuel oil storage facilities	Reserve for invest-ments	Reserve for support, tantiemes & bonuses	Non-current asset-related reserves	Other reserves	Total
Balance 31 December 2008	**(63,777)**	**162,744**	**3,020**	**1,293,569**	**58,974**	**1,454,530**
Reserves utilised	-	(162,744)	(3,020)	(1,293,569)	(58,974)	(1,518,307)
Balance 31 December 2009	**(63,777)**	-	-	-	-	**(63,777)**
Reserves utilised	-	-	-	-	-	-
Balance 31 March 2010	**(63,777)**	-	-	-	-	**(63,777)**

Company	Reserve for share capital reduction due to transfer of fuel oil storage facilities	Reserve for invest-ments	Reserve for support, tantiemes & bonuses	Non-current asset-related reserves	Other reserves	Total
Balance 31 December 2008	**(63,777)**	**160,637**	**2,780**	**1,293,569**	**58,362**	**1,451,571**
Reserves utilised	-	(160,637)	(2,780)	(1,293,569)	(58,362)	(1,515,348)
Balance 31 December 2009	**(63,777)**	-	-	-	-	**(63,777)**
Reserves utilised	-	-	-	-	-	-
Balance 31 March 2010	**(63,777)**	-	-	-	-	**(63,777)**

The reserve for the reduction of the share capital due to the transfer of fuel oil storage facilities is the negative reserve for reducing the share capital which was established in 1999 as a result of the transfer of fuel oil storage facilities to VĮ Vilniaus Mazuto Saugykla. Although expected, the share capital has not been reduced by this amount until now.

17 Other reserves (continued)

After the first time adoption of IFRS on 1 January 2004 the retained earnings of the Company increased by LTL 1,369,457 thousand. For the purpose of restricting the distribution of such profit, the general meeting of shareholders held on 20 April 2006 decided to form a reserve related to non-current assets from retained earnings.

Based on the decision of the shareholders' meeting held on 30 April 2009 a transfer of LTL 1,515,348 thousand was made from the other reserves to retained earnings.

18 Borrowings

The Group's and the Company's borrowings according to repayment terms are presented in the table below:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Not later than within one year	14,693	13,811	14,200	13,811
Total	**14,693**	**13,811**	**14,200**	**13,811**

Borrowings of the Group and the Company are shown in the table below:

Credit institution	Contractual amount of loan (in EUR thousand)	Amount of used but not repaid loan as at 31 March 2010 (in EUR thousand)	Repayment term	Amount of used but not repaid loan as at 31 March 2010	Current portion as at 31 December 2009	Amount of used but not repaid loan as at 31 Dece-mber 2009
UniCredit Bank AS, Lithuanian Branch	15,000	4,000	2010 09 30	13,811	-	13,811
Total non-current borrowings:	**15,000**	**4,000**		**13,811**	**-**	**13,811**

As at 31 March 2010 and 31 December 2009, the Company's borrowings with a fixed interest rate totalled LTL 13,811 thousand.

As at 31 December 2009, the Group's current borrowings included LTL 389 thousand overdraft used by Kauno Energetikos Remontas UAB. The overdraft agreement terminated in February 2010.

As at 31 March 2010 the Group's current borrowings also included LTL 882 thousand overdraft used by Energijos tiekimas UAB.

The Group companies have not received any loans secured by the State guarantee or their own assets.

As at 31 March 2010 and 31 December 2009 the carrying value of borrowings approximates their fair value.

The Group and the Company have assumed the following liabilities under loan agreements:

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

In the period from August through to December of 2009, the Company/Group did not meet the obligation assumed to UniCredit Bank, Lithuanian Branch, regarding a monthly turnover of LTL 10 million. Starting from January 2010, the Company/Group meets the requirement to maintain a monthly turnover of LTL 10 million.

As at 31 March 2010 and 31 December 2009 the Company and the Group had no effective unused loan agreements.

19 *Finance lease liabilities*

Group's future minimum lease payments for equipment and other assets comprise as follows:

Group	At 31 March 2010 Minimum finance lease payments	At 31 March 2010 Present value of minimum lease payments	At 31 December 2009 Minimum finance lease payments	At 31 December 2009 Present value of minimum lease payments
Financial lease payments:				
Within the first year	626	582	607	532
Within second – fifth years	1,474	1,371	1,620	1,565
Minimum finance lease payments	**2,100**	**1,953**	**2,227**	**2,097**
Less: deferred interest	(147)	-	(130)	-
Present value of minimum lease payments	**1,953**	**1,953**	**2,097**	**2,097**

The Group's financial lease liabilities are secured by the lessor's right to the leased assets (Note 5).

The Company did not have any financial lease obligations outstanding as at 31 March 2010 and 31 December 2009.

The fair value of the finance lease liabilities approximates their carrying amount.

20 *Grants*

The grants balance consists of grants related to the financing of assets acquisition. Movements in grants in 2010 and 2009 are as follows:

	Group	Company
Balance at 31 December 2008	**66,339**	**66,309**
Received during the period	7,721	7,704
Utilised during the period	(2,640)	(2,620)
Balance at 31 December 2009	**71,420**	**71,393**
Balance at 31 December 2009	**71,420**	**71,393**
Received during the period	734	734
Utilised during the period	(667)	(663)
Balance at 31 March 2010	**71,487**	**71,464**

21 *Other non-current accounts payable and liabilities*

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Advances received from new customers*	9,817	9,817	8,224	8,224
Provisions for pension payments and injury compensations	1,835	1,669	1,735	1,735
Liability related to guarantees for Nordic Energy Link (Note 35)	995	995	995	995
Total	**12,647**	**12,481**	**10,954**	**10,954**

* This item represents advances received for the connection of new users to the electricity networks. These advances will be reclassified to deferred revenue upon the provision of connection services. Such deferred revenue is recognised in the statement of comprehensive income over the useful life of the non-current assets developed.

Provision for pension payments represents calculated amounts to be paid according to Lithuanian legislation. Each employee is entitled to 2 months salary payment when retiring after reaching the pension age.

22 *Income tax*

Income tax expense as at 31 March 2010 and 31 March 2009 comprised as follows:

	Group 31 March 2010	Company 31 March 2010	Group 31 March 2009	Company 31 March 2009
Income tax expense components				
Current income tax	6,729	5,981	44,644	44,564
Deferred income tax (benefit)	(3,854)	(3,852)	(40,347)	(40,794)
Income tax expense (income) for the reporting period	**2,875**	**2,129**	**4,297**	**3,770**

Deferred income tax of the Group and the Company comprised as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Deferred income tax asset				
Effect of non-current assets measured at revalued amount and deemed cost (impairment)	186,692	186,370	176,592	176,270
Bad debts	2,301	2,045	2,311	2,056
Write down of inventories to net realisable value	840	152	843	155
Impairment of financial assets	828	3,164	828	3,164
Vacation reserve	590	464	449	323
Impairment of property, plant and equipment	273	271	13,876	12,548
Accruals	208	208	207	207
Impairment of intangible assets	16	-	16	-
Total deferred income tax asset before impairment of realisable value	**193,356**	**192,674**	**195,122**	**194,723**
Less: impairment of realisable value	(1,394)	(1,394)	(1,399)	(1,399)
Deferred income tax asset less impairment of realisable value	**191,962**	**191,280**	**193,723**	**193,324**
Deferred income tax liabilities				
Effect of non-current assets measured at revalued amount/deemed cost (increase in value)	(398,411)	(397,182)	(405,264)	(402,752)
Net book value of non-current assets with the tax relief (Method II) applied (excluding construction in progress)	(22,401)	(22,291)	(22,678)	(22,568)
Effect of different depreciation rates for PP&E in financial and tax accounting	(1,107)	(1,107)	(1,156)	(1,156)
Effect of guarantee liability	(180)	(180)	(180)	(180)
Construction in progress with the tax relief (Method II) applied in 1998 – 2001, not put into operation before 31 December 2009	(2)	(2)	(2)	(2)
Total deferred tax liability	**(422,102)**	**(420,762)**	**(429,280)**	**(426,658)**
Deferred tax liability, net	**(230,139)**	**(229,482)**	**(235,557)**	**(233,334)**

As at 31 March 2010 deferred tax assets and liability were calculated using a tax rate of 15 per cent (31 December 2009 – 15 per cent).

Deferred income tax to be realised within 12 months amounts to LTL 14,835 thousand.

22 *Income tax (continued)*

Changes in temporary differences were as follows:

Group	**At 31 December 2009**	**Recognised in other compre-hensive income**	**Recognised in profit or loss**	**At 31 March 2010**
Effect of non-current assets measured at revalued amount/deemed cost (impairment)	1,177,286		67,328	1,244,614
Impairment of property, plant and equipment	92,508		(81,841)	12,547
Bad debts	15,409		(72)	15,337
Write down of inventories to net realisable value	5,618		(18)	5,600
Impairment of financial assets	5,519		-	5,519
Vacation reserve	2,990		941	3,931
Accruals	1,381		8	1,389
Impairment of intangible assets	105			105
Construction in progress with the tax relief (Method II) applied in 1998 - 2001, not put into operation before 31 December 2009	(16)		-	(16)
Effect of guarantee liability	(1,201)		-	(1,201)
Effect of different depreciation rates for PP&E in financial and tax accounting	(7,706)		326	(7,380)
Net book value of non-current assets with the tax relief (Method II) applied (excluding construction in progress)	(151,186)		1,847	(149,339)
Effect of non-current assets measured at revalued amount/deemed cost (increase in value)	(2,693,200)		37,125	(2,656,075)
Total temporary differences	**(1,552,493)**		**25,644**	**(1,524,969)**
Deferred income tax calculated at a rate of 15 per cent	**(232,874)**		**3,847**	**(228,745)**
Decrease in realisable value of deferred income tax assets	**(1,399)**		**5**	**(1,394)**
Deferred tax liability, net	**(234,273)**		**3,852**	**(230,139)**

22 *Income tax (continued)*

Company	**At 31 December 2009**	**Pripažinta kitų bendrųjų pajamų straipsnyje**	**Pripažinta pelno (nuostolių) straipsnyje**	**At 31 March 2010**
Effect of non-current assets measured at revalued amount/deemed cost (impairment)	1,175,136		67,328	1,242,464
Impairment of property, plant and equipment	83,650		(81,841)	1,809
Impairment of financial assets	21,093		-	21,093
Bad debts	13,706		(72)	13,634
Vacation reserve	2,150		941	3,091
Accruals	1,381		8	1,389
Write down of inventories to net realisable value	1,032		(18)	1,014
Construction in progress with the tax relief (Method II) applied in 1998 – 2001, not put into operation before 31 December 2009	(16)		-	(16)
Effect of guarantee liability	(1,201)		-	(1,201)
Effect of different depreciation rates for PP&E in financial and tax accounting	(7,706)		326	(7,380)
Net book value of non-current assets with the tax relief (Method II) applied (excluding construction in progress)	(150,453)		1,847	(148,606)
Effect of non-current assets measured at revalued amount/deemed cost (increase in value)	(2,685,005)		37,125	(2,647,880)
Total temporary differences	**(1,546,233)**		**25,644**	**(1,520,589)**
Deferred income tax calculated at a rate of 15 per cent	**(231,935)**		**3,847**	**(228,088)**
Decrease in realisable value of deferred income tax assets	**(1,399)**		**5**	**(1,394)**
Deferred tax liability, net	**(233,334)**		**3,852**	**(229,482)**

Income tax expense disclosed in the statement of comprehensive income relating to the result of the current reporting period may be reconciled to income tax expense that would arise using an enacted income tax rate applicable to profit before income tax:

	Group at 31 March 2010	**Company at 31 March 2010**	**Group at 31 March 2009**	**Company at 31 March 2009**
Profit (loss) before tax	**26,613**	**24,875**	**(40,243)**	**(40,922)**
Income tax calculated at a tax rate of 20% (2009 – 20 %)	3,992	3,731	(8,049)	(8,184)
Tax effect of income or expenses that are not subject to tax or deductable	(1,117)	(1,603)	(2,565)	(3,124)
Income tax	**2,875**	**2,128**	**(10,614)**	**(11,308)**
Effective income tax rate (%)	**11**	**9**	**26**	**28**

As at 31 December 2009, the Group had LTL 6,012 thousand of tax losses from which no deferred tax asset was recognised. These tax losses are carried for indefinite period.

23 Bonds issued

In September 2006, the Company issued bonds with a three-year maturity. The nominal value of the issue was EUR 7,500 thousand (LTL 25,896 thousand). Annual interest rate – 4.06 per cent. Bonds were redeemed on 29 September 2009.

24 Trade payables

Trade payables of the Group and the Company are as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Amounts payable for electricity and related services	82,594	23,072	105,181	105,181
Accrued liability for electricity	46,486	4,851	12,401	12,401
Amounts payable for contractual works, other services	23,695	15,654	38,848	39,130
Amounts payable for material values	429	417	694	694
Carrying amount	**153,204**	**43,994**	**157,124**	**157,406**

The fair value of trade payables approximates their carrying amounts.

Other accounts payable and liabilities

Other accounts payable of the Group and the Company are as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
VAT payable to the budget	6,839	3,228	2,157	1,756
Employment-related liabilities	5,155	2,519	3,282	1,868
Vacation reserve	2,839	2,655	2,332	2,150
Accrued other charges	1,247	1,192	5,408	5,408
Current portion of deferred income	803	803	803	803
Dividends payable	506	506	507	507
Real estate tax payable	174	174	2,283	2,230
Other accounts payable and current liabilities	146	33	3,175	35
Natural resource tax	-	-	387	387
Deferred VAT payable	-	-	1	1
Carrying amount	**17,709**	**11,110**	**20,335**	**15,145**

The fair value of other accounts payable approximates their carrying amounts.

25 Sales revenue

The Group's and the Company's sales revenue consists of revenue from electricity and related services. Sales revenue for the periods ended on 31 March are presented below:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 December 2009	Company at 31 December 2009
Domestic sales of electricity (excluding PSO)	167,895	168,425	53,619	-
Public service obligations (PSO)	121,492	-	175,126	-
Electricity transmission service	68,971	-	63,325	-
Export of electricity	42,699	42,699	75,722	75,722
Capacity reserve	19,290	6,555	38,369	-
Other sales of electricity and related services	4,551	79	2,630	-
Revenue from connection of new users *	201	201	153	153
Rent of the grid and maintenance	-	26,412	-	-
Total sales revenue	**425,099**	**244,371**	**408,944**	**75,875**

* The Company and the Group had accounted for LTL 15,972 thousand (31 December 2009 - LTL 16,173 thousand) of deferred revenue related to the connection of new users and related advances received from new users (Note 21) for connection to electricity networks amounting to LTL 9,817 thousand (31 December 2009 - LTL 8,224 thousand). The Company/Group recognises such revenue in the statement of comprehensive income during the useful life of property, plant and equipment developed. During the first quarter of 2010 the Company/Group has recognised revenue of LTL 201 thousand (the first quarter of 2009 - LTL 153 thousand) from connection of new users.

26 Segment information

In 2010 the m. Vadovybė the Board distinguished business segments based on the reports reviewed by the Board. The Board analyses business operations by geographical areas and types of products provided. Presentation of business segments in 2009 is consistent with the presentation of segment information in 2010.

The Group has distinguished the following business segments (activities): activities of transmission system operator (electricity transmission), transmission trading and electricity export/import. The Group also carried out other, non-operating activities. As of 1 January 2009, in order to provide more precise disclosures about business segments of the Group the following additional business segments were distinguished within the activities of transmission system operator: electricity transmission, trade in balancing/regulating electricity, sales of capacity reserve services, public service obligations (PSO) electricity sales, and other activities of transmission system operator.

The electricity transmission segment is engaged in providing transmission services to network users and is responsible for management, maintenance, development, integrity and coherence of the transmission network of the Lithuanian power system and the interconnections with the power systems of other countries, as well as ensuring reliable and safe operation of the entire Lithuanian power system. These activities are regulated by the National Control Commission for Prices and Energy (hereinafter "the Commission") by establishing the tariffs of electricity transmission services.

Trade in balancing/regulating electricity is a separate PSO service unregulated by the Commission ensuring the balance of electricity generation and consumption levels.

Sales of capacity reserve services represent a separate service rendered under a regulated rate tariff. Almost all electricity generated by Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant after the elimination of internal turnovers was allocated to the segment of sales of capacity reserve services and to the activities of transmission trading and electricity export/import.

The segment of public service obligations electricity sales has been distinguished because these services are rendered under a regulated rate tariff in accordance with regulatory requirements.

The transmission trading segment is engaged in a wholesale trade in electricity in the domestic market.

The electricity export/import segment is engaged in the export of electricity to Latvia, Estonia and via Estlink cable to Finland. Revenue of the export segment also includes sales of electricity to Inter RAO Lietuva UAB for export to Russia. Imported electricity is either sold to export clients or domestic customers; in the latter case the respective revenue and expenses are included in the transmission trading segment.

Other activities include repair services of energy equipment, designing of energy facilities and other services.

Transmission trading and provision of services associated with it between the Company's segments is performed at cost (without a mark-up). Transactions between the Group companies are conducted at market prices, except for transmission trading and the related services which are traded within the Group at prices established by the Commission.

27 *Segment information (continued)*

The Group's information on segments as at 31 March 2010 and for the period then ended is presented in the table below:

2010	Business segments generating revenue from external sales									Business segments that do not generate revenue from external sales	Total
	Trans-mission system operator	Including:					Trans-mission trading	Export	Other activities	Generation	
		Trans-mission	Trade in balancing/ regulating electricity	Sales of capacity reserve services	Public service obliga-tions electricity sale	Other activities of trans-mission system operator					
Revenue from external sales	**227,756**	**68,971**	**13,452**	**19,290**	**121,492**	**4,551**	**154,645**	**42,699**	**9,420**		**434,520**
Operating profit (loss)	**3,755**	**22,490**	**275**	**5,157**	**(26,086)**	**1,919**	**8,409**	**12,185**	**1,422**		**25,770**
Depreciation and amortisation expense	36,603	33,218	-	3,383	1	1	1,851	316	2,674	-	41,443
Loss on revaluation of property, plant and equipment											
Net finance income (expenses)											**843**
Profit (loss) before tax											**26,613**
Income tax											**(2,875)**
Profit (loss) for the year											**23,738**
Total segment assets	**2,571,850**	**2,269,679**	**-**	**302,147**	**12**	**12**	**61,489**	**71,554**	**76,175**	**180,463**	**2,961,531**
Unallocated assets											270,047
Total assets											**3,231,578**

27 Segment information (continued)

The Group's information on segments as at 31 March 2009 and for the period then ended is presented in the table below:

2009	Business segments generating revenue from external sales									Business segments that do not generate revenue from external sales	Total
	Trans-mission system operator	Including:					Trans-mission trading	Export	Other activities	Generation	
		Trans-mission	Trade in balancing/ regulating electricity	Sales of capacity reserve services	Public service obliga-tions electricity sale	Other acti-vities of trans-mission system opera-tor					
Revenue from external sales	**281,979**	**63,325**	**2,409**	**38,369**	**175,126**	**2,750**	**51,244**	**75,722**	**11,174**	**-**	**420,118**
Operating profit (loss)	**(67,175)**	**5,335**	**(3,438)**	**1,859**	**(73,653)**	**2,722**	**4,976**	**23,571**	**(33)**	**-**	**(38,661)**
Depreciation and amortisation expense	39,598	35,873	-	3,723	-	-	937	478	2,637	-	43,650
Net finance income (expenses)											**(1,582)**
Profit (loss) before tax											**(40,243)**
Income tax											**10,614**
Profit (loss) for the year											**(29,629)**
Total segment assets	**2,803,918**	**2,443,787**	**9**	**335,651**	**20**	**11**	**56,837**	**77,987**	**123,823**	**147,642**	**3,185,767**
Unallocated assets											318,010
Total assets											**3,503,777**

27 Segment information (continued)

The Company/Group exports electricity to the EU Member States and Russia. Also, the Group exported metal structures and repair services.

In the first quarter of 2010 and 2009, the Group's and the Company's revenue according to geographical segments was as follows:

Country	Group at 31 March 2010	Company at 31 March 2010	Group at 31 March 2009	Company at 31 March 2009
Lithuania	389,536	214,411	351,020	14,558
Finland	42,347	42,347	26,108	26,108
Russia	1,155			
Estonia	1,094	205	33,561	33,561
Latvia	388	225	8,538	8,538
Germany	-	-	891	-
Total	**434,520**	**257,188**	**420,118**	**82,765**

Revenue earned from direct export of electricity accounted for a major portion of export revenue. Apart from a direct export, the Company sells peak energy intended for export. In 2009, revenue generated from sales of peak energy amounted to LTL 6.8 million. The Company has also been exporting excess basic electricity and electricity produced during holidays and weekends. In 2009, revenue generated from sales of such energy amounted to LTL 20.6 million. As from 1 January, 2010, Ignalina atominė elektrinė (nuclear power plant) was closed, Company is not selling this kind of electricity.

All assets of the Group and the Company are located in Lithuania.

28 Other operating income

In the first quarter of 2010 and 2009, the Group's and the Company's other operating income included as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 March 2009	Company at 31 March 2009
IT services	5,456	11,026	5,444	5,454
Repairs and other services	2,831	-	4,054	-
Other income	696	1,159	776	312
Rent of property	310	575	773	1,046
Design works	71	-	45	-
Health, catering and recreational services	57	57	57	53
Gain on disposal of property, plant and equipment	-	-	25	25
Total income from other activities	**9,421**	**12,817**	**11,174**	**6,890**

Income from repair services represents income received by subsidiary Kauno Energetikos Remontas UAB under the contracts concluded (the Company received no income under the contracts). Information about contracts in progress as at 31 March 2010 and 31 March 2009 is presented in the table below:

	at 31 March 2010	at 31 March 2009
Total income from repair services from the commencement date of the project	25,180	20,384
Total expenses of repair services from the commencement date of the project	21,181	16,739
Trade receivables (included in accounts receivable)	6,486	8,889
Advance amounts received	50	101

29 Finance income

In the first quarter of 2010 and 2009, the Group's and the Company's other finance income included as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 March 2009	Company at 31 March 2009
Interest income	965	940	1,499	1,488
Other income	90	88	34	20
Total finance income	**1,055**	**1,028**	**1,533**	**1,508**

30 Other finance costs

In the first quarter of 2010 and 2009, the Group's and the Company's other finance costs included as follows:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 March 2009	Company at 31 March 2009
Interest expense	(180)	(174)	(487)	(413)
Other expenses	(4)	-	(1,573)	235
Foreign currency exchange loss	(8)	(5)	(10)	(2)
Loan service costs	(20)	-	(10)	(10)
Total finance costs	**(212)**	**(179)**	**(2,080)**	**(190)**

31 Discontinued operations

With effect from 1 January 2010, the function of the transmission system operator is carried out by subsidiary LITGRID UAB. Therefore the comparable figures of the statement of comprehensive income as at March 31, 2010 are presented after illumination of discontinued activities transferred to the subsidiary:

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 March 2009	Company at 31 March 2009
Revenue (represents sales proceeds only)	-	-	-	333,069
Expenses	-	-	-	(329,823)
Operating profit	-	-	-	3,246
Income tax	-	-	-	(649)
Net profit (loss) from a discontinued operation	**-**	**-**	**-**	**2,597**

32 Related-party transactions

Purchase and sale of goods and services:

The Group's transactions with related parties during 2010 and the balances arising on these transactions as at 31 March 2010 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministry of Energy of the Republic of Lithuania (including subsidiaries of LEO LT, AB)	54,471	105,545	220,803	304,211
LEO LT, AB	702	55,794	1,385	135,442
Associates of the Group	-	269	375	1
Total	**55,173**	**161,608**	**222,563**	**439,654**

The Company's transactions with related parties during 2010 and the balances arising on these transactions as at 31 March 2010 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministry of Energy of the Republic of Lithuania (including subsidiaries of LEO LT, AB)	10,979	32,467	102,579	114,098
LEO LT, AB	702	55,794	1,385	135,442
Subsidiaries of the Company	382	73,448	130	526
Associates of the Company	-	269	375	1
Total	**12,063**	**161,978**	**104,469**	**250,067**

The Group's transactions with related parties during 2009 and the balances arising on these transactions as at 31 March 2009 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministry of Energy of the Republic of Lithuania (including subsidiaries of LEO LT, AB)	79,054	121,410	729,150	1,112,524
LEO LT, AB	414	73,406	1,728	1,366
Associates of the Group	164	3	13,417	665
Total	**79,632**	**194,819**	**744,295**	**1,114,555**

The Company's transactions with related parties during 2009 and the balances arising on these transactions as at 31 March 2009 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministry of Energy of the Republic of Lithuania (including subsidiaries of LEO LT, AB)	78,290	120,705	728,135	1,108,575
LEO LT, AB	414	73,406	1,728	1,366
Subsidiaries of the Company	3,386	1,079	8,232	1,492
Associates of the Company	1	3	13,265	640
Total	82,091	195,193	751,360	1,112,073

32 Related-party transactions (continued)

The major related-party sale and purchase transactions in 2009 represent transactions with the entities controlled by the Ministry of Energy of the Republic of Lithuania, VĮ Ignalinos Atominė Elektrinė (state company Ignalina Nuclear Power Plant) and Lietuvos Elektrinė AB (Lithuanian Power Plant). The Company's purchases from these suppliers mainly included purchases of electricity, capacity, and PSO services. Sales transactions mainly included sales of electricity, capacity, electricity transmission services and PSO services.

The major purchase and sale transactions in the LEO LT, AB group in 2009 were concluded with Rytų Skirstomieji Tinklai AB, VST AB and LEO LT, AB. In 2009 LEO LT, AB provided management services to the Company.

The major purchase of electricity in the LEO LT, AB group in 2010 were concluded with Baltpool UAB, the major sale transaction of electricity were concluded with Rytų Skirstomieji Tinklai AB, VST AB.

Transactions with state entities other than those controlled by the Ministry of Energy include regular business transactions conducted at arm's length basis and are not disclosed in the tables above.

The Company sold capacity to its associate Nordic Energy Link AS, paid capacity, operation, transmission and balancing fees to this company, and purchased capacity from it.

There were no guarantees or pledges given or received in respect of the related party payables and receivables, except for a guarantee issued to an associate disclosed in Note 35. Related party payables and receivables are expected to be settled in cash or set-off against payables/receivables to/from a respective related party.

Payments to key management personnel

	Group at 31 March 2010	Company at 31 March 2010	Group at 31 March 2009	Company at 31 March 2009
Employment-related payments	915	407	579	351
Termination benefits	-	-	-	-
Other material amounts (bonuses for Board members)	-	-	-	-
Number of key management personnel	37	10	19	5

Management consists of the Board members, heads of administration and their deputies, and the chief financier.

33 Basic and diluted earnings per share (in LTL)

2010 m. ir 2009 m. basic and diluted earnings per share were as follows:

	at 31 March 2010	at 31 March 2010
Net profit (loss) attributable to the Group's shareholders	22,746	-27,017
Weighted average number of shares (units)	689,515	689,515
Basic and diluted earnings per share (in LTL)	0.03	-0.04
Net profit (loss) attributable to the Group's shareholders from continued operations	22,746	-29,614
Weighted average number of shares (units)	689,515	689,515
Basic and diluted earnings per share from continued operations (in LTL)	0.03	-0.04

34 Financial risk management

The Group companies are exposed to financial risks in their operations, i.e. credit risk, liquidity risk and market risk (foreign exchange risk, interest rate risk in relation to fair value and cash flows, and securities price risk). In managing these risks the Group companies seek to mitigate the effect of factors which could make a negative affect on the performance of the Group and the Company.

Financial instruments by category

Financial assets	**Group at 31 March 2010**	**Company at 31 March 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Trade receivables	170,512	74,363	170,342	164,157
Other receivables	77,080	100,538	77,568	78,014
Term deposits	34,810	17,000	17,160	17,000
Cash and cash equivalents	84,797	52,929	54,167	51,347
Loans and receivables	**367,199**	**244,830**	**319,237**	**310,518**
Other financial assets	-	-	-	-
Held-to-maturity investments	-	-	-	-
Total	**367,199**	**244,830**	**319,237**	**310,518**

Financial liabilities	**Group at 31 March 2010**	**Company at 31 March 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Borrowings	14,693	13,811	14,200	13,811
Bonds issued	-	-	-	-
Finance lease liabilities	1,953	-	2,097	-
Trade payables	153,204	43,994	157,124	157,406
Other accounts payable and liabilities	30,376	23,611	20,335	15,145
Financial liabilities carried at amortised cost	**200,226**	**81,416**	**193,756**	**186,362**

Credit risk

As at 31 March 2010 and 31 December 2009, credit risk was related to the following items:

	Group at 31 March 2010	**Company at 31 March 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Financial assets	367,199	244,830	319,237	310,518

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The credit risk of the Group and the Company related to the accounts receivable is limited because the main buyers are reliable customers. As at 31 march 2010 and 31 December 2009, a credit quality of trade receivables neither past due nor impaired is high as mostly all of these receivables are related to distribution system operators and large industrial companies. The Group and the Company have significant credit risk concentration, because credit risks are shared among 10 main customers, which account for approximately 96 per cent of the total Group's and Company's trade receivables.

The credit risk on cash in banks is limited because the Group and the Company conduct transactions with the banks with high credit ratings assigned by international credit rating agencies.

34 Financial risk management (continued)

Liquidity risk

The liquidity risk is managed by planning the cash flows of the Group. In order to manage 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 short-term cash flows (proceeds and payments).

The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 31 March 2010 were 1.80 and 1.77 respectively (31 December 2009: 1.57 and 1.54, respectively). The Company's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 31 March 2010 were 2.68 and 2.65 respectively (31 December 2009: 1.58 and 1.56, respectively).

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities based on contractual undiscounted payments. This table has been prepared based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Balances with repayment terms up to 12 months are equal to their carrying amounts, because the impact of discounting is insignificant.

Group	Within the first year	Within the second year	Within third – fifth years	After five years
At 31 March 2010				
Loans and bonds	14,693	-	-	-
Finance lease liabilities	582	503	1,062	-
Trade and other payables	198,374	-	-	-
At 31 December 2009				
Loans and bonds	14,200	-	-	-
Finance lease liabilities	532	503	1,062	-
Trade and other payables	177,459	-	-	-

Company	Within the first year	Within the second year	Within third – fifth years	After five years
At 31 March 2010				
Loans and bonds	13,811	-	-	-
Trade and other payables	172,551	-	-	-
At 31 December 2009				
Loans and bonds	13,811	-	-	-
Trade and other payables	172,551	-	-	-

Interest rate risk

The income and cash flows of the Group companies are not exposed significantly to the fluctuations of the market interest rate. The interest rate risk relates mainly to borrowings. The borrowings issued at floating interest rates expose the Group to cash flow interest rate risk. The Company and the Group have granted loans subject to the floating interest rate.

According to the principles of financial risk management approved by the Group companies, 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 companies 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 companies have loans with fixed and variable interest rates, related to VILIBOR. If interest rate increases / decreases by 1 percentage point, the effect on pre-tax profit would amount to LTL 394 thousand as at 31 December 2009.

Foreign exchange risk

In order to manage the foreign exchange risk, the Group companies conclude credit contracts only in Euro and Litas. The sale/purchase contracts of the Group are also denominated mostly in Euro and Litas.

Starting from 2 February 2002, litas has been pegged to euro; therefore, changes in foreign exchange rates do not have a significant impact on the Company's and the Group's equity.

The companies comprising the Group have no significant concentration of foreign exchange risk; therefore, it did not use any financial instruments for managing the foreign exchange risk in 2010 and 2009.

34 Financial risk management (continued)

Risk of security prices

In 2009 the Company sold bonds issued by the Lithuanian and Finish Governments; therefore it is not exposed to risk of security prices.

The Company has direct control over the subsidiaries and take part in management of associates (Note 7). Investments in these companies are accounted for at acquisition cost, which is adjusted by impairment losses, if any, in the separate financial statements of the Company. Investments in associates in the Group's consolidated financial statements are accounted for 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 affects the financial results of the Group. The Company impacts the results of its subsidiaries and associates by taking part in the formation of the management policy of operations of these companies.

Fair value of financial assets and liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade receivables and other accounts receivable and other debts, long-term and short-term borrowings.

Fair value is defined as the amount at which the instrument could be exchanged or at which a mutual liability could be set off between knowledgeable parties in an arm's length transaction willing to buy/sell an asset or to set off a mutual liability. Fair value is determined on the basis of quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- The carrying amount of short-term trade and other accounts receivable, short-term trade and other accounts payable and short-term borrowings approximates their fair value.
- The fair value of a long-term debt is based on the quoted market price for the same or similar loan or on the current rates available for debt with the same maturity profile. The fair value of long-term borrowings with variable interest rates approximates their carrying amounts.

35 Commitments and contingencies

Guarantees issued and received

In 2005, the Company guaranteed, under the guarantee agreements, the fulfilment of 25 per cent of Nordic Energy Link's AS liabilities to Nordic Investment Bank (LTL 45,750 thousand) and to SEB Eesti Uhispank AB (LTL 26,759 thousand. The guarantees expire after the full repayment of the loans by the associate to the respective banks, i.e. 15 March 2014 and 15 September 2014, respectively. The Group/Company has accounted for these guarantees at fair value: the carrying amount of the guarantee obligation reported in the balance sheet as at 31 March 2010 was LTL 996 thousand (31 December 2009: LTL 996 thousand). The Group/Company has not accounted for any additional provisions related to these guarantees, since management expects that the associate will fulfil its liabilities to the banks.

To ensure that obligations are fulfilled, the trading exchange participants are required to provide to the market operator BALTPOOL UAB a bank guarantee as a security for the fulfilment of their obligations and/or make a monetary deposit not later than within 10 working days before the beginning of the trading exchange session. As at 1 January 2010, bank guarantees provided by the Company and the Group to BALTPOOL UAB amount to LTL 20,000 thousand. On 2 February, 2010 Company's outstanding bank guarantees, provided to BALTPOOL UAB were reduced to LTL 10,000 thousand. To ensure that obligations are fulfilled, on 2 March, 2010 Company transferred monetary deposit to BALTPOOL UAB amount to LTL 2,000 thousand. On 3 March, 2010 Company cancelled bank guarantee, provided to BALTPOOL UAB. As at 31 March 2010, bank guarantees and monetary deposits provided by the Company and the Group to BALTPOOL UAB amount to LTL 7,100 thousand.

On 5 February, 2010 Company issued support letter to Lithuanian branch of Danske Bank A/S (hereinafter referred to as the "Bank"), regarding Bank guarantee, provided to Energijos tiekimas UAB amount to LTL 2,500 thousand. On 29 March, 2010 Company issued support letter to Lithuanian branch of Danske Bank A/S (hereinafter referred to as the "Bank"), regarding Bank overdraft, provided to Energijos tiekimas UAB amount to LTL 10,000 thousand.

Legal proceedings

As at 31 December 2008, the Company disputed LTL 884 thousand account payable to Vilniaus Energija UAB related to the electricity supplied by this entity under public service obligation (PSO) scheme , which was accounted for in the statement of financial position. The obligations to this supplier were recalculated by the Company based on the actual volumes of the electricity supplied and the volumes of sponsored production levels as set by the Ministry of the Economy of the Republic of Lithuania. The supplier did not agree with the recalculation made by the Company and claimed the payment of the invoiced amounts for the PSO energy supplied. As at 31 December 2009, the amount disputed is LTL 1,049 thousand. On 20 February, 2010 UAB „Vilniaus energija" increased the amount of claim to LTL 1,494 thousand regarding the electricity, supplied by this entity under public service obligation (PSO) scheme in 2009. With reference to the surrounding circumstances of the dispute, available evidence, arguments and explanations concerning the claims presented by the other party to the dispute, the dispute might be settled in favour of Lietuvos Energija AB.

In February 2009, Fortis Energy UAB and Kauno Termofikacinė Elektrinė UAB filed a claim against the Company concerning the terms and conditions of an agreement for 2009. The amount disputed is LTL 1,631 thousand. UAB Fortis has also filed a claim for the repayment of funds received under the agreement on the services of the electricity transmission dated 10 October 2007. The amount disputed is LTL 3,126 thousand. The hearings of both disputes – over the performance of the agreement of 10 October 2007 and the terms of the 2009 agreement – were held. In respect of one lawsuit the court passed a ruling on 12 February 2010 concerning the approval of the peace agreement concluded between Lietuvos Energija AB, Kauno Termofikacinė Elektrinė UAB and Fortis Energy UAB on 8 February 2010. In respect of another lawsuit, Fortis Energy UAB filed a request with the court regarding the withdrawal of the claim. On 23 February the court fulfilled the request.

Kauno Termofikacijos Elektrinė UAB filed a claim against Lietuvos Energija AB concerning the amount, paid under public service obligation (PSO) scheme for the year 2008. As the volumes of sponsored production levels were not fully supplied to the Company, the amount, payable under public service obligation (PSO) scheme should be reduced from LTL 4,005 thousand to LTL 3,457 thousand. Kauno Termofikacijos Elektrinė UAB did not agree with the recalculation made by the Company. The dispute is pending in the court. With reference to the circumstances centred around the dispute, available evidence, arguments and explanations concerning the claims presented by the other party to the dispute, the dispute might be settled in favour of Lietuvos Energija AB.

Lietuvos Energija AB sent the creditor's required amount of LTL 2,198 thousand to bankrupt administrator of Alpha komunikacijos-2 UAB. The court approved the creditor's requirement. The procedure of bankruptcy is in force.

The bankruptcy procedure of Ekranas AB is not finished yet. Ekranas AB debt to Lietuvos Energija AB amounts to LTL 9,612 thousand. Creditor's requirement of Lietuvos Energija AB is approved by the court. The possibility to refund the debt is low.

On 19 April, 2010 the Management Board of Lietuvos Energija AB resolved to file a claim with a court and seek a refund of the sum, paid for the rental of a pedestal for the sculpture Elektra, under the agreement with Elektros Viešbutis AB (now – Elektros Kapitalas AB), concluded on 30 December, 2005. The claim amounts to LTL 535 thousand.

36 Capital management

Capital consists of the equity capital disclosed in the statement of financial position.

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, repay capital to shareholders or issue new shares. As at 31 December 2009 and 31 December 2008, no adjustments were made to objectives, policy and procedures of capital management.

According to the Law on Companies of the Republic of Lithuania, equity of the Group and the Company must account for at least ½ of the amount of the authorised capital. No other external capital requirements have been imposed on the Group and the Company. As at 31 March 2010 and 31 December 2009, the Group and the Company were not in breach of the above mentioned requirement.

37 Post-balance-sheet events

Reorganization Plan of Energy Companies

On 4 May 2010 the Government of the Republic of Lithuania approved the concept amendment of the Law on Electricity, by which the Third Energy Package of the European Union is being implemented. The Government also approved the reorganization plan of energy companies of Lithuania. It stipulates the establishment of four units of electricity companies for the activities of transmission, generation, distribution and maintenance. The state will retain the control of all units.

Profit appropriation

On 30 April 2010 the ordinary general shareholders meeting of the Company adopted a resolution to approve the draft profit appropriation for the year ended 31 December 2009, allocating dividends in the amount of LTL 48,266 thousand of appropriatable profit, paying 0.07 dividends per share.

Loans

On 6 May 2010 the Company repaid the loan in the amount of LTL 13,811 thousand (EUR 4,000 thousand) to Lithuanian branch of AS „UniCredit Bank".

On 28 April 2010 Interlinks UAB (the subsidiary of the Company) repaid the loan in the amount of LTL 13,811 thousand to the Company 2010 m. balandžio 28 d.

On 28 April 2010 the Company and Interlinks UAB concluded Credit line agreement in the amount of LTL 3,000 thousand. The agreement expires on 31 December 2010.

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