LIETUVOS ENERGIJA

AKCINĖ BENDROVĖ LIETUVOS ENERGIJA

30 August 2010 Nr. SD-5954

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 unaudited interim consolidated financial statements for the period ended 30 June 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 SIX MONTH PERIOD
ENDED 30 JUNE 2010 (unaudited)

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The interim financial statements were approved by the General Director, Finance Director and Chief Financier on 30 August 2010.

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

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

Review report of interim financial information

To the shareholders and Board of Directors of Lietuvos energija AB

Introduction

We have reviewed the accompanying stand alone interim statement of financial position of Lietuvos energija AB (hereinafter "the Company") and consolidated interim statement of financial position of the Company and its subsidiaries (hereinafter "the Group") as of 30 June 2010 and the related stand alone and consolidated interim statements of comprehensive income, changes in equity and cash flows for the six – month period then ended, and significant accounting policies and other explanatory notes set out on pages 23 - 80. Management is responsible for the preparation and presentation of this stand alone and consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (International Accounting Standard (IAS) No. 34, "Interim financial reporting"). Our responsibility is to express a conclusion on this stand alone and consolidated interim financial information based on our review.

Scope of review

Except as discussed below, we conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion - scope limitation

According to the Company's and the Group's accounting policy, property, plant and equipment, except for Hydro Power Plant and Pumped Storage Power Plant, should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 3 and 5 to the interim financial statements, the amendments to the legislation may have a significant adverse impact on the fair value and recoverable amount of the Company's and the Group's assets. The Company's and the Group's management was not able to reassess fair values of property, plant and equipment with the carrying amounts of LTL 2,152 million and LTL 2,187 million as of 30 June 2010 (LTL 2,142 million and LTL 2,145 million respectively as of 31 December 2009), or to carry out a proper impairment test. It has not been possible to estimate reliably the financial effects of this non-compliance.

Property, plant and equipment of Hydro Power Plant and Pumped Storage Power Plant are carried at cost, less accumulated depreciation and impairment losses. As explained in Note 3 to the interim financial statements the Company and the Group has not estimated whether the recoverable amount of property, plant and equipment of Hydro Power Plant and Pumped Storage Power Plant with the carrying amount of LTL 569 million as of 30 June 2010 and LTL 572 million as of 31 December 2009 is not less than its carrying amount as required by IAS 36 Impairment of assets. It has not been possible to estimate reliably the financial effects of this non-compliance.

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Qualified Conclusion

Based on our review, except for the possible effects of the matters referred to in the preceding paragraphs, nothing has come to our attention that causes us to believe that the accompanying stand alone and consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS No. 34, "Interim financial reporting".

Report on other legal and regulatory requirements

Furthermore, we have read the Consolidated Interim Report for the six-month period ended 30 June 2010 set out on pages 5 - 22 and have not noted any material inconsistencies between the financial information included in it and the reviewed interim financial statements for the six-month period ended 30 June 2010.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rimvydas Jogėla
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
30 August 2010

CONSOLIDATED INTERIM REPORT OF LIETUVOS ENERGIJA AB AND ITS SUBSIDIARIES FOR THE SIX MONTH PERIOD OF 2010

The consolidated interim report of public limited liability company Lietuvos energija (hereinafter, the "Company") and its subsidiaries (the Company and its subsidiaries hereinafter are referred to as the "Group") has been prepared by the Administration of the Company in accordance with Chapter Four, Article 24 of the Republic of Lithuania Law on Financial Reporting of Enterprises, and Chapter Three, Article 9 of the Republic of Lithuania Law on Consolidated Financial Reporting of Enterprises, as well as Resolution No. 1K-3 of the Securities Commission of the Republic of Lithuania, dated 23 February 2007, "Regarding Approval of the Rules for the Preparation and Submission of Periodical and Additional Information", as amended on 14 February 2008.
In the consolidated interim report information is presented in concise form and only material changes to information presented in the last consolidated annual report are disclosed.

General information about the Group of companies

Reporting period for which the consolidated interim report has been prepared

The consolidated interim report of the Company and its subsidiaries has been prepared for the first six months of 2010.

Companies comprising the Group of companies and their contact details (name, legal form, date and place of registration, company code, address of the registered office (if the address of the registered and the actual office is different, indicate both), telephone, fax, e-mail and website)

Compared to the last annual report for the year ended 31 December 2009, no changes occurred in the structure of the Company and its subsidiaries. Their contact details remained the same.

The Company directly controlled (held 100% shares) in the following subsidiaries: Energetikos pajėgos UAB, Kauno energetikos remontas UAB, Kruonio investicijos UAB, LITGRID UAB, Energijos tiekimas UAB, and InterLinks UAB. Also, the Company was the sole stakeholder of VšĮ Respublikinis energetikų mokymo centras (Public Institution National Energy Training Centre). Indirectly, through Kauno energetikos remontas UAB, the Company had the majority of votes in Gotlitas UAB. Indirectly, through LITGRID UAB, the Company has a majority holding in Baltpool UAB.

In addition to the above-mentioned subsidiaries, the Company participated in the management of the following associated companies: LitPol Link SP Z.o.o. (a 50 percent holding); AS Nordic Energy Link (a 25 percent holding); Geoterma UAB (a 23.44 percent holding); indirectly, through Kauno energetikos remontas UAB, the Company participated in the management of Ernmašas UAB (a 33.33 percent holding). The Company is also a stakeholder (1/5) of the Lithuanian Energy Museum.

Main business activities of the Group companies

Following the establishment of the subsidiary LITGRID UAB at the end of 2009, the activities of Lietuvos energija AB became narrower in scope, as part of its activities was transferred to LITGRID UAB.

Company	Shareholding of the Group	Main activities
Lietuvos energija AB	-	Electricity generation, electricity trade, import/export, lease of property/network, IT services, power system services
Energetikos pajėgos	100 per cent	Designing of power facilities
Kruonio investicijos UAB	100 per cent	Development of public and recreational facilities
Kauno energetikos remontas UAB	100 per cent	Repair of energy equipment, manufacture of metal structures
Gotlitas UAB	100 per cent	Accommodation services, trade
LITGRID UAB	100 per cent	Electricity transmission, power supply system services
Baltpool UAB	100 per cent	Electricity market operator
Energijos tiekimas UAB	100 per cent	Independent supply of electricity
InterLinks UAB	100 per cent	Development and implementation of projects on power interconnection between the transmission networks of

		Lithuanian and other power systems

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

Compared to information provided in the last consolidated annual report, there are no changes.

Trading in securities of the companies comprising the Group on regulated markets (name of the regulated market and number of securities admitted to trading)

Compared to information provided in the last consolidated annual report, there are no changes.

Overview of the situation of the Group companies, performance and business development, description of main risks and uncertainties

Due to considerable changes during the last quarter of 2009, from the beginning of 2010, the Company carried out the following core and non-core activities: electricity generation, electricity trade, import/export, lease of property/network, IT services, and power system services. A change in the activities was owing to unbundling of activities; as of 1 January 2010, the National Control Commission for Prices and Energy granted a licence of the electricity transmission operator to LITGRID UAB, a subsidiary of Lietuvos energija AB. The Commission also made a decision to grant a licence of the electricity market operator to BALTPOOL UAB, a subsidiary of LITRGID UAB, and a licence of the independent supplier to Lietuvos energija AB.

On 4 May 2010, the Government of the Republic of Lithuania approved of the concept of amending the Law on Electricity by which the EU's third energy package is implemented, and the Government simultaneously approved of the plan of restructuring of Lithuanian energy undertakings.

As a result of restructuring of the energy sector, four blocks of electricity undertakings (transmission, generation, distribution and service) will be formed. The state will retain control over each block. The above-mentioned plan is prepared so that several aims are achieved in the restructured electricity sector:

- the plan will aim to implement strategic projects involving the new nuclear power plant and power interconnections that will ensure energy security of the Republic of Lithuania;
- the free electricity market will be expanded;
- an increased efficiency of undertakings will be achieved;
- the entire electricity sector will have to be in conformity with the EU's third energy package;
- when consolidating electricity control in the hands of the state, the aim will be to combine the implementation of the strategic goals and the socially oriented energy policy.

As the liquidation of LEO LT, AB continued and the energy sector restructuring plan (approved by the Government) was being implemented, as of 4 June 2010, LEO LT, AB, a company undergoing liquidation, ceased to hold shares and votes in Lietuvos energija AB. Visagino atominė elektrinė UAB (legal form: private limited liability company, code 301844044, registered office at Žvejų g. 14, Vilnius), a company that is indirectly wholly controlled by the Republic of Lithuania, acquired from LEO LT, AB, a company undergoing liquidation, 646 103 311 ordinary registered shares of Lietuvos energija AB of 1 (one) litas nominal value each (share issue code - LT0000117681). The shares were acquired when increasing the authorised capital of Visagino atominė elektrinė UAB. As of 12 July 2010, the remaining part of shares in Lietuvos energija AB (18 597 522 ordinary registered shares) was transferred to Visagino atominė elektrinė UAB under a separate agreement.

Such considerable changes in activities resulted in a change of the principles of attributing revenue and expenses of the Company and its subsidiaries to separate activities. The activities carried out by the Company comprise of the following activities: maintenance and operation of the electricity transmission system, trade in electricity on the internal market, electricity export and other activities, as well as electricity generation. Unbundling of activities by Group companies and internal divisions:

- The subsidiary of the Company LITGRID UAB carries out the transmission system operator's business. Lietuvos energija AB continues to be the owner of electricity transmission networks; the Company and LITGRID UAB signed an agreement under which temporary possession and use of high-voltage electricity transmission networks and other equipment intended for electricity transmission was transferred to the latter. In accordance with the agreement, electricity transmission system maintenance and operation services are rendered by the Company. In the report of the Group, income form capacity reservation services for the Company's branches KHPP and KPSP provided by LITGRID UAB are eliminated.
- Wholesale trade in electricity, retail trade in electricity and the market operator's business are attributed to domestic trade in electricity. Wholesale trade in electricity is carried out by the Company. From 1 January 2010, the Company's subsidiary Energijos tiekimas UAB carries out retail trade in electricity (independent supplier's activity). From 1 January 2010, BALTPOOL UAB, a subsidiary of LITGRID UAB, carries out the functions of the Lithuanian electricity market operator.

- Electricity export is carried out by Import & Export Division of Electricity Trade Department of the Company.
- Other activities are carried out by the Information Technologies & Telecommunications Centre (ITTC) and other internal divisions of the Company (organisation of recreational activities, selling of other services). In the report of the Group, the activities of the subsidiaries of the Company Kruonio investicijos UAB, InterLinks, Energetikos pajėgos UAB, Kauno energetikos remontas UAB, and VšĮ Respublikinis energetikų mokymo centras are attributed to other activities.

Transmission system operator's business

As of 1 January 2010, the core activities of the Company were taken over by LITGRID UAB, a subsidiary of Lietuvos energija AB. The core activities of the Company are considered to be electricity transmission system maintenance and operation services, as well as electricity generation, import/export, lease of property/network, IT services, and power system services.

Further reorganisation of the Company will be implemented in line with the power sector restructuring plan which, among other aims related to the TSO, seeks to implement the provisions of the EU's third energy package on ownership unbundling by ensuring the independence and autonomy of the TSO.

LITGRID is the operator of Lithuanian electricity transmission system whose main function is to manage electricity flows and ensure efficient, reliable and stable operation of Lithuanian power system. LITGRID is responsible for the management of Lithuanian power system, the operation and development of the transmission network, and the functioning of the electricity market.

The National Control Commission for Prices and Energy agreed on 2,67 ct/kWh - the upper price for transmission service on high voltage with the protocol No. O2-33 dated 08.10.2009 to LITGRID UAB after delivery of reasonable documents. After the prices for system services and public service obligation electricity were set, the Commission in accordance to the decision No. O3-218 dated 24 of November 2009 set the upper price equal to **8,14 ct/kWh**, where:

- Electricity transmission service price – 2,67 ct/kWh;
- System services (capacity reserve) price – 0,74 ct/kWh;
- Public service obligation electricity price – 4,73 ct/kWh.

The price of electricity transmission service determined in the Procedure approved by Minutes No. 4 of LITGRID UAB Board meeting as of 23 December 2009, corresponds to the price for 2010 determined by Minutes No. 69 of Lietuvos energija AB Board meeting as of 21 October 2009 and is equal to **8.137 ct/kWh**, where:

- Electricity transmission service price – 2.667 ct/kWh;
- System services (capacity reserve) price – 0.74 ct/kWh;
- Public service obligation electricity price –4.73 ct/kWh.

During the first half of 2009, the Company, as the transmission system operator, transmitted through its high voltage power lines 4.63 billion kWh of electricity for domestic needs. During the first half of 2010, when performing this function, LITGRID UAB transmitted 4.53 billion kWh of electricity.

Dynamics of electricity transmission prices in the period from 2003 to 1st HY 2010

	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009 1st half-year**	**2009 2nd half-year**	**2010 1st half-year**
Price cap of electricity transmission service set by the Commission (ct/kWh)	3.8	3.63	3.78	3.7	3.59	5.36*	5.46*	5.46*	3.41*
of which:									
- for transmission	2.41	2.25	2.51	2.43	2.41	4.08	4.04	4.04	2.67
- for capacity reserve	1.39	1.38	1.27	1.27	1.18	1.28	1.42	1.42	0.74
Price of electricity transmission service approved by the Board of the Company	3.39	3.38	3.47	3.47	3.58	3.68*	3.82*	3.62*	3.41*

(ct/kWh)								
of which:								
- for transmission	2	2 2.2	2.2	2.4	2.4	2.4	2.2	2.67
- for capacity reserve	1.39	1.38 1.27	1.27	1.18	1.28	1.42	1.42	0.74

* Except the price of public service obligation electricity.

Since 2008, the transmission price structure underwent a significant change – compensation to electricity generators for public service obligation (hereinafter, "PSO"), which until then was part of electricity generation price, became part of transmission price. PSO price levels mainly do not depend on the Company, rather on decisions of the Boards of other economic operators (power plants) and the NCCPE. The PSO (public service obligation) price (fixed at 4.73 ct/kWh for 2010) is comprised of several components. Part of this price (4.06 ct/kWh) is intended for AB Lietuvos elektrinė, where electricity generation is necessary for ensuring the security of electricity supply and energy system reserves, 0.4 ct/kWh is intended to support cogeneration plants generating electricity in cogeneration mode in combined cycle cogeneration power plants, and 0.48 ct/kW to support power plants using renewable energy resources (wind, hydro, biofuel and solar power plants). The PSO price is reduced by 0.21 ct/kW by PSO funds that were planned and received but not used in 2008.

In 2009, the PSO price changed twice as the Company changed the price of its services taking into account the economic situation in the country (from 6.58 ct/kWh to 6.17 ct/kWh). In 2008, the PSO price was 43.5 per cent lower and amounted to 3.72 ct/kWh.

Business of the market operator

As of 1 January 2010, the National Control Commission for Prices and Energy issued a licence of the electricity market operator to BALTPOOL UAB, a subsidiary of LITGRID UAB.

Lithuanian power exchange administered by BALTPOOL UAB is the venue where international trade takes place. The participants of Lithuanian power exchange are generators and suppliers from Lithuania and neighbouring power systems who trade in electricity generated in or imported to Lithuania for consumption in Lithuania and for export to the neighbouring energy systems.

The main function of BALTPOOL UAB is to organise trade in electricity. The market operator:

- registers bilateral agreements between wholesale market participants;
- accumulates assignments for electricity trade at an auction and determines the sequencing of sales;
- records bilateral agreements and trade transactions at an auction;
- presents the results of trade in electricity to the market participants and regulatory authorities.

Administered by BALTPOOL UAB, wholesale trade in electricity in Lithuania is carried out in two ways: trade at Lithuanian power exchange and bilateral trade between electricity generators and suppliers. BALTPOOL UAB organises wholesale trade in electricity at Lithuanian power exchange in cooperation with Nord Pool Spot, the power exchange operating in the Scandinavian countries.

Lithuanian power exchange operates based on the principles of Scandinavian power exchange "Nord Pool Spot". Trade is carried out on a day-ahead basis: all electricity delivery agreements are arranged day-ahead for each hour of the following day.

BALTPOOL UAB was set up with the aim to speed up the creation of a single and harmonised Common Baltic Electricity Market integrated with the Nordic market and subsequently with the markets of Central and Eastern Europe, as provided for in the Baltic Energy Market Interconnection Plan (BEMIP).

Exchange participants pay a "volume fee". The fee is payable on a weekly basis in proportion to electricity amount sold by the exchange participant during the previous week. The amount of the volume fee is defined in Appendix 6 "Trading Fees" to the Rulebook of Lithuanian power exchange. Currently, the "volume fee" amounts to EUR 0.03 per megawatt hour of electricity sold or purchased on the exchange (translated into litas, it amounts to slightly more than 0.01 ct/kWh).

Lithuania's market demand for electricity was 5.286 billion kWh during first half of 2010.

In the 1st half of 2010, the Company's sales through the power exchange accounted for 65.7 per cent of the total electricity demand in Lithuania.

Electricity generation and export

Compared to information provided in the last consolidated annual report, there are no significant changes; therefore information only has been updated.
Kruonis PSP is intended for the balancing of electricity generation and consumption, as well as prevention and liquidation of accidents in the power system. Its purpose is to correct load imbalances in the power system and to satisfy customer needs in the event of an emergency.
Kaunas HPP is the largest power plant in Lithuania using renewable energy resources for power generation.
The two power plants operated as components of the electricity transmission system; electricity generated by them was mostly used for compensation of the Company's technological losses and balancing generation and consumption levels.
During the reporting period, taken together, KPSP and KHPP supplied 676.1 million kWh of electricity, which accounted for 22.8 per cent of the total electricity generated in the country, or 11.4 per cent of the total electricity supplied in the country. During the same period in 2009, taken together, the two power plants generated 512.8 million kWh, i.e. 7.2 per cent of the total electricity generated in the country, or 6.7 per cent of the total electricity supplied in the country. A larger generation volume in the first half of 2010 is attributable to the shut-down of Ignalina Nuclear Power Plant; as a result, all the power plants of the country have to increase generation capacities or electricity has to be imported in order to compensate for the discontinued supply of nuclear power.

Other activities

In the 1st half of 2010, the Company earned LTL 22.0 million revenue from IT commercial activity. However, 50.12 per cent of revenue from commercial activities in the 1st half of 2010 was earned by LITGRID UAB group.
During the 1st half of 2010, two new optical interconnections with Belarus and the Kaliningrad Region were constructed. The launching of commercial services in August will ensure return on investment. An interconnection was also established with a new operator in the territory of Poland, which will permit diversification of interconnections, and owing to increased inter-operator competition on the territory of Poland, Lietuvos energija will be able to optimise its costs.
Major projects implemented in the 1st half of 2010:

- Systems required for the electricity market have been created and launched: the system of bilateral contracts between market participants, the system of calculation of interconnection capacity in the electricity network, automated settlement process for trade on the exchange;
- Systems required for company management were implemented (personnel accounting system, employee payroll system, business management and financial accounting system SCALA, document management system) in the new companies Litgrid, Baltpool and Energijos tiekimas;
- Server optimisation project was implemented with a view to reducing operation costs.

During this period, the Company also rendered wellness and recreation facility services. Such services are strongly influenced by seasonality; therefore, the first half-year does not reflect the true financial situation of the facilities.

Subsidiaries

Compared to information provided in the last consolidated annual report, there are no changes.

Investments into property, plant and equipment

In the 1st half of 2010, the Company's investments amounted to LTL 35.485 million. The major part of investment projects involved the group of assets relating to upgrading of electricity transmission lines and reconstruction and construction of communication lines; during the 1st half-year, the amount of investment accounted for 32.1% of total investments in this period. Construction and reconstruction of transformer substations in the transmission network represented 23.6%, and investment into power plants represented 22.2% of the total investments. The largest investments of the half-year were made into the project involving the construction of Lithuanian–Swedish power interconnection: LTL 4.1 million was allocated for the cable and converter in Klaipėda, LTL 6.2 million for the KHPP reconstruction project and LTL 6.4 million for the acquisition of a land parcel in Kruonis.
In accordance with the agreement between the Company and the transmission system operator LITGRID UAB, investments into the development of the system are co-ordinated, prepared and controlled by the system operator itself; however, they must be co-ordinated with the Company.

Plans and forecasts for the Group's operations

Compared to 2009, 2010 was different in terms of the activities of the Company and Group companies mainly due to a change in the Company's activity which was firstly influenced by the EU requirement to unbundle all transmission-related activities from other types of activities. Subsequently, the energy sector restructuring plan produced larger changes for the future of the Company. As at the close of the half-year, the Company operated in line with the operational guidelines in effect from 1 January 2010; however, it is probable that the restructuring of the energy sector will have a particular impact on and produce changes in the 2nd half-year.

Risk factors related to the issuer's operations

Political risk factors

The Group operates in the electricity sector which is of particular economic and political importance for the national interests of the state in the field of economy that is state regulated, and, among other things, for implementing the aims, tasks and provisions of the EU energy policy. The management, setup and functioning of the electricity sector of the Republic of Lithuania is governed by the Republic of Lithuania Law on Electricity and implementing legislation.

It is noteworthy that any amendments to the legal acts governing the energy sector at both European Union and national level may call for changes in the activity of the Group. In addition, there are no assurances or guarantees that any changes in the legal environment will not adversely affect the activity, results and/or financial situation of the Company.

Following approval by the EU of the third energy legislative package, Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, lays down additional requirements for the unbundling of activities in the electricity sector – EU Member States have the right to choose from three options for ensuring the independence of electricity transmission: (1) unbundling of the transmission system ownership from the group of vertically integrated undertakings, (2) setting up of an independent system operator (ISO) or (3) setting up of an independent transmission operator (ITO). The option of ownership unbundling, which is prioritised by the European Commission, has already been implemented or has been selected to be implemented by the majority of EU Member States, including the Republic of Poland, the Kingdom of Sweden, the Republic of Finland, the Czech Republic, the Kingdom of Belgium and others.

Pursuant to Government of the Republic of Lithuania Resolution No. 517 of 4 May 2010 "On the Approval of the Concept of Amending the Republic of Lithuania Law on Electricity", when necessary amendments to the relevant legal acts are made, the first option for the unbundling of activities of the transmission system operator will be implemented in the electricity sector of the Republic of Lithuania – full ownership unbundling of the transmission system from the interests of the group of vertical integration.

Thus, LITGRID UAB that is engaged in electricity transmission, together will all the assets used in transmission activity, will be unbundled from the vertical integration of the Company and the Group.

It is noteworthy that any changes to regulatory activities at both European Union and national level, as well as instructions from authorities performing the functions of state government, supervision and control in the electricity sector may in future have an adverse effect on the financial situation and competitiveness of the Group.

The state indirectly controls about 96 per cent of the Company's capital and the election of Board members of the Company is determined by its vote. Representatives of the state can exercise control over the governance of the Company and the Group and implement state policy in the electricity sector. Accordingly, there are no assurances that in implementing the state policy in the electricity sector, no decisions will be made that will substantially affect the activity and financial situation of the Company and the Group. In addition, not always such decisions may coincide with the opinion and interests of the Company's shareholders.

Economic risks

The establishment of the subsidiary LITGRID UAB, the electricity transmission system operator, at the end of 2009 as part of implementing of the energy sector restructuring plan, led to a change in the revenue structure of the Company. From 2010, the Company is engaged in electricity generation, electricity import/export, sale of balancing energy, and lease of the transmission network to LITGRID UAB. Although, on account of this, the revenue structure of the whole Group did not change, there are no assurances that this will not impair the results of the Group or produce other negative changes. The activities of the Group are influenced to a large extent by the shutdown of Ignalina NPP because due to a loss of a cheap energy generation source, the Group practically no longer since the first quarter of 2010 exports electricity, so it looses income from electricity export. The loss of such income will have a negative impact on the results and profit of the Group. Economic stagnation in the country may also continue to have an adverse effect by causing a reduced demand for electricity and services provided by the Group.

Financial risks

The Group companies may face financial risks in their operations, i.e. credit risk, liquidity risk and market risk (risks of foreign currency, interest rate in relation to fair value and cash flows, as well as the securities price risk). In managing the aforesaid risks, the Group's companies seek to reduce the impact of factors that may have and adverse effect on the financial results of the Group. The actual management of the financial risks of the Company and its subsidiaries is described in Section 35 "Financial Risk Management" of the Notes.

Credit risk

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 30 June 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 a significant credit risk concentration, because credit risks are shared among 10 main customers, which account for approximately 96 % 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.

The Group and the Company hold cash balances and term deposits in accounts of the major Lithuanian banks assigned with higher than A external credit rating by the rating agency Fitch Ratings.

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 the 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 30 June 2010 were 1.98 and 1.94 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 30 June 2010 were 2.62 and 2.59 respectively (31 December 2009: 1.58 and 1.56, respectively).

Market risk

Interest rate risk

The income and cash flows of the Group companies are not exposed significantly to the fluctuations of the market interest rate. Interest rate risk is largely related to loans. The borrowings issued at floating interest rates expose the Group to cash flow interest rate risk.
According to the principles of financial risk management approved by the Group, interest expenses must be forecasted with sufficient precision for a period that is not shorter than the period of establishing the price cap of electricity transmission service (three years). The loan portfolio of the Group is formed on the basis of the following principle: at least 50% of all the borrowings must be at a fixed interest rate, the remaining borrowings – at a floating interest rate.

Foreign exchange risk

In order to manage the foreign exchange risk, the Group concludes credit contracts only in the euro and the litas. The currency of sale/purchase transactions of the Group is also mainly the euro and the litas.
As of 2 February 2002, the litas is pegged to the euro; therefore, changes in foreign exchange rates do not have a significant impact on the Company's and the Group's equity.

Risk of securities prices

It is noteworthy that global securities markets, including Lithuanian market, continue to be affected by the global crisis and global economic situation still causing substantial fluctuations in the prices of securities on different securities markets worldwide. There are no assurances or guarantees as to when the crisis will come to an end or whether or not it will even deepen.
In 2009, the Company sold bonds issued by the Lithuanian and Finish Governments; therefore it is not exposed to risk of security prices.

Technical- technological risk factors

Lithuanian power system has many interconnection lines with the neighbouring power systems. The available means of control of capacities and energy balances are not numerous, thus capacity and energy balance control is complicated. The power plants and electricity networks owned by the Company are not new. The major part of electric lines supports were constructed more than 30 years ago and their life time has already reached the projected one. Although more than 30 per cent of the main equipment of transformer substations has been rehabilitated over the past several years, the majority of it is rather old. Therefore, the Group faces the risk that the most important parts of equipment or technology may break down or wear out or they may need to be replaced for other reasons. In that case the Group would have to allocate additional funds for the repair or renewal of the equipment, so this would limit its ability to allocate investments for development, other fields or dividends. This may inflict a significant harm on its financial situation and results. Failure, faults, etc. of the most important technological equipment used in its activities may have a direct adverse effect on the scope of activity and sales of the Group and on the financial situation and performance of the Group.
When implementing investment plans and updating its technical equipment and other property used in its operations, the Company concludes contracts with third parties for works and supply of required materials. There is therefore a risk that such materials may become significantly more expensive since when such works were planned. Besides, third parties hired to carry out the works may fail to discharge all of their obligations for various reasons. If this were to happen, the Group would be made to conclude alternative agreements based on the prices prevailing on the market at that time which can by far exceed the previous prices. This would also cause a delay in the performance of works, which may have an adverse effect on the results and financial situation of the Group.

Ecological risk factors

In implementing its activities, the Group must follow environmental protection rules providing for the marking, use and storage of various hazardous substances used in the activities of the Group, as well as ensure that the equipment used by it satisfy the requirements for the use of such equipment. In the facilities operated by the Company that pose a higher risk of damage to the environment on account of the level of emission of pollutants or the amount of waste generated, the Company operates in accordance with integrated pollution prevention and control (IPPC) permits issued by regional environmental protection departments. The withdrawal of an IPPC permit could disturb the activities of the Group with respect to the relevant IPPC permit; however, the Company estimates that the likelihood that its activities will be restricted or suspended due to damage to the environment is very slight. All such rules impose the obligation to adopt procedures and technologies to allow the proper handling of any hazardous substances, provide for the responsibility of the Group for the management and elimination of any environmental pollution and maintenance of equipment in the appropriate condition. In addition to its current activities, the Group may become liable for any past activities if it becomes apparent that damage was caused to the environment. Besides, any changes in the environmental protection regulation at both national and international level may obligate the Group to adopt measures compliant with the new standards. This may call for additional investments and have a significant impact on the activities, financial situation and results of the Group.
The Group implements all the necessary environmental requirements.

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

Analysis of financial performance results

Analysis of financial ratios

The table below contains financial performance results **of the Company and of the companies within the Group.**

	Company		Group	
Financial results (in LTL thousand)	**1st half of 2010**	**1st half of 2009*****	**1st half of 2010**	**1st half of 2009**
Sales revenue	436 448	804 656	819 932	804 656
Other operating income	78 739	13 584	18 923	22 705
EBITDA (earnings before taxes + interest expenses - interest income - dividends + depreciation and amortisation + impairment of non-current and current assets*)	120 383	112 644	169 419	110 150
Operating profit	39 251	-30 164	87 745	-33 657
Net profit	34 477	-22 707	71 135	-26 400
Cash flow from operating activities	87 209	74 477	138 637	73 369
Financial liabilities	0	39 707	14 284	42 315
Investments	35 181	40 192	33 800	40 192
Financial structure (ratio):				
Liabilities / equity	0.16	0.30	0.20	0.31
Financial liabilities / equity	0.000	0.015	0.005	0.016
Financial liabilities / assets	0.000	0.012	0.004	0.013
Loan coverage ratio:				
Loan coverage ratio EBIT (earnings before tax from continuing operations + interest expenses – interest income – dividends) / (interest expenses + loans due within one year)	161.84	-1.13	309.57	-1.22
Interest coverage ratio				
EBIT (earnings before tax from continuing operations + interest expenses – interest income – dividends) / interest expenses)	161.84	-35.60	309.57	-36.96
Margins and profitability:				

Return on equity (net profit/ equity capital) (%)	1.30%	-0.88%	2.66%	-1.02%
Return on assets (net profit / assets) (%)	1.12%	-0.68%	2.22%	-0.78%
Earnings per share (cents per share)	5.00	-3.29	10.3	-3.82

* Impairment of investments into associated and subsidiary undertakings is excluded from the calculations.
** „Investments" are related only to the investments to long-term material assets
*** The results of the Company for the I half of 2009 are shown according to the financial statements of the I half 2009 so they do not correspond with the comparable figures of the I half 2010 where the discontinued operations are shown

The results of the 1st half of 2010 were influenced by the cut-down on operating expenses, while a large portion of expenses of the 1st half of 2009 consisted of loss from revaluation of non-current assets.
As of 30 June 2010, the Company did not have financial liabilities. When the Company settled its financial liabilities in full, its loan and interest coverage ratios significantly improved.

Balance sheet

The Company discharged all of its financial liabilities; however, at the end of the period, the long-term leasing liability of Kauno energetikos remontas UAB in respect of equipment and vehicles amounted to LTL 1.2 million, and its short-term leasing liability in respect of equipment and vehicles amounted to LTL 0.58 million.
At the end of the quarter, Energijos tiekimas UAB financial liabilities to the bank amounted to LTL 12.49 million.
The Company's equity also increased due to profit earned.
The Company's assets are beyond comparison due to a change in the activity structure, and no material changes occurred at the level of the Group.

Profit (loss) account

Revenue

A change in the revenue structure occurred due to the unbundling of the activities to subsidiaries. In the first half of 2010, revenue of the Company amounted to LTL 515.19 million and was 37 per cent lower than in the same period of 2009 (without showing the discontinued operations). Revenue from operating activities amounted to LTL 436.448 million, i.e. there was a decrease of 45.76 per cent compared to the same period of 2009 (without showing the discontinued operations); the difference is due to revenue from electricity transmission and PSO services.
Revenue from other activities amounting to LTL 78.7 million was received from IT activities, lease of the network and operation services and lease of other property, along with wellness and recreation activities. This revenue was significantly higher compared to the 1st half of 2009. This was largely determined by services provided to the subsidiary of the Company (lease of the network and operation services).
Compared to the 1st half of 2009, revenue from operating activities of the Group rose by 2 per cent. Energijos tiekimas UAB revenue from supply amounted to LTL 58.1 million. Revenue from sale of electricity on the internal market (except PSO) made up the largest portion of total sales and amounted to LTL 380.5 million in the total revenue of the Group; the Group earned slightly less, LTL 224.4 million, revenue from PSO. Kauno energetikos remontas UAB earned revenue of LTL 7.9 million, which was 24.5 per cent less than in the 1st half of 2009. In the 1st half of 2010, Energetikos pajėgos UAB earned revenue of LTL 1.8 million, which was 75 per cent more than in the 1st half of 2009. VšĮ Respublikinis energetikos mokymų centras earned revenue of LTL 1.57 million, i.e. LTL 0.86 million less than in the 1st half of 2009.

Expenses

As a result of a change in the revenue structure of the Company, operating expenses also changed, mainly due to procurements related to electricity and a change in the number of personnel within the Group. In the 1st half of 2009, the Company recognised a loss due to revaluation of non-current assets, while in the 1st half of 2010, no such expenses were recognised. In the 1st half of 2010, operating expenses of the Group, excluding the purchase related to the electricity as well as depreciation and amortisation, amounted to LTL 56.0 million, of which LTL 44.2 million was expenses sustained by the Company.

Profit

In the 1st half of 2010, the Company's profit before tax amounted to LTL 40.89 million, whereas the result of the 1st half of 2009 was loss and amounted to LTL 27.7 million (without showing the discontinued operations). The Group made a net profit of LTL 71.1 million, while in the 1st half of 2009 it made a loss of LTL 26.4 million.
This was largely determined by raising the efficiency of activities and cut-down on operating expenses and a reduction of the value of non-current assets in the 1st half of 2009.
Kauno energetikos remontas UAB reduced a loss of LTL 3.5 million of the 1st half of 2009 down to LTL 1.6 million owing to a cut-down on operating expenses by 31 per cent. Owing to intensified activity and increased revenue, Energetikos pajėgos UAB was able to earn higher profit which in the 1st half of 2010 amounted to LTL 0.6 million. Due to an increase of other expenses, in the first half of 2010, Kruonio investicijos UAB made a loss six times higher than in the same period in 2009. An increase of other expenses was determined by loss from sale of assets. VšĮ Respublikinis energetikų mokymo centras, with lower expenses, but likewise lower income, still made loss three times higher than in the 1st half of 2009.

Corporate income tax was largely affected by a reduction in corporate income tax tariff from 20 per cent down to 15 per cent from 2010.

Cash flow statement

Net cash flows from operating activities of the Company amounted to LTL 87.21 million, and LTL 138.64 million at the Group level. In the first half of 2009, net cash flows from operating activities of the Company amounted to LTL 74.48 million, and LTL 58.59 million at the Group level.
In terms of financial and investment activities in the first half of 2010, net cash flow of the Company increased by LTL 48.58 million, and that of the Group by LTL 73.37 million. During the same period of 2009, there was a decrease in the net cash flow of the Company of LTL 4.93 million, and a decrease of net cash flow of the Group of LTL 4.83 million.

Main features of internal control and risk management systems

Compared to information provided in the last consolidated annual report, there are no changes in the main features of internal control and management systems.

Personnel

As of 30 June 2010, there were 1 251 employees within the Group, i.e. 24 employees more than half a year before (not including 113 employees of Public Institution National Energy Training Centre working under author's/hourly contracts). Included in that number are 17 employees who changed employment from Ignalina Nuclear Power Plant to the Company after a 110/330 kV switchyard of INPP had been taken over. The employees of the Company accounted for 65.3 per cent of the total number of employees, those of Kauno energetikos remontas UAB group accounted for 21 per cent of the total number of employees.
In the 1st half of 2010, the statistical turnover of employees in the Company was approx. 5%, including retirements due to age, termination of time-limited employment contracts, dismissals by mutual agreement of the parties and initiated by the employer, etc. The actual loss of employees when the employment contract was terminated by the employee after s/he had found another job or due to other personal reasons was about 2%.
The Company's office staff represented approx. 64 per cent, and workers 36 per cent of the Company's personnel. More than 53 per cent of the personnel had higher education. The average age of the employees is 46 years, the average length of service is 16 years.
The restructuring project ongoing in the energy sector presented new challenges to the employees of the Company in undertakings undergoing changes and at the same time opened up wide opportunities for development and self-fulfilment in new fields of activities under new conditions.
The first half of this year was the period of preparation for the implementation of the energy system restructuring project. A large number of the managers and employees of the Company participated in the activity of the working groups of the project.
A two-month long new employee adaptation programme to ensure a faster, targeted and consistent adaptation of a new employee in the company was developed.
With the aim to ensure future availability of employees with necessary qualification, the database of potential candidates has been launched in the company, contacts have been established with higher education establishments, universities, and the system of student traineeships has been designed.
The development of the employee payroll system was accomplished in the first half of this year that will ensure that remuneration is set according to clear, understandable and transparent principles.
In addition to ongoing changes and preparation for the implementation of the reorganisation project, all the employees work along the lines of operational goals set for 2010, participate in trainings and raise their qualification in various professional development courses.
The Company regularly, and in particular during the period of change, maintains a dialogue, exchanges relevant information with the heads and committee members of employee trade unions. The employees are provided with all social guarantees and additional benefits provided for in the collective agreement, the company takes care of the health of its employees by means of arranging for employee health checks at the cost and expense of the Company.
In order to promote the motivation of employees and create a positive work environment, festive and team/sporting events are held for the employees. The Company supports cultural and sports activities of the employees by allocating funds for that purpose.

Environmental protection

With a view to ensuring environmental protection, the Company must properly manage waste, waste water and implement preventive measures to ensure safe environment.
The most important issues of environmental protection to be dealt with by the Company are the following: safe use of ecologically hazardous substances, handling of generated waste, adaptation of energy equipment and structures to the environment, and ensuring the maintenance of permissible fluctuations of water levels in Kaunas Lagoon and the Nemunas River below those of Kaunas HPP.
Environmental protection activities are organised in the Company in accordance with regulatory documents in place governing management of waste and waste water, safe use of chemical substances, by means of determining safe use of chemical substances, establishment of environmental requirements with regard to newly constructed facilities and those undergoing reconstruction and in accordance with integrated pollution prevention and control (IPPC) permits.

Waste management

Management of waste generated by the Company was organised by hiring enterprises holding relevant licenses. The main types of generated hazardous waste are as follows: transformer oils and waste resulting from the use of such oils (waste water contaminated with oil, sludge collected in waste water treatment facilities and contaminated with oil products, oil waste not suitable for further use, emulsion of compressor oil and water, oil contaminated absorbents and wipers), batteries, luminescent lamps, residues of chemical substances, etc. In the 1st half of 2010, 25 tonnes of hazardous waste, 20 tonnes of porcelain and reinforced concrete, 192 tonnes of ferrous scrap metal and 0.5 tonnes of non-ferrous scrap metal were handed over for recycling.

Waste water management

The Company regularly monitors the levels of waste water treated and emitted to the environment by making chemical tests in accordance with the norms laid down in the integrated pollution prevention and control permit or Waste Water Management Regulation. The services of regular maintenance of rainwater and household waste water treatment facilities are purchased from specialised companies.

Preventive measures to ensure safe environment

In the facilities operated by the Company that pose a higher risk of damage to the environment on account of the levels of water consumption, emission of pollutants or the amount of waste generated, i.e. those that meet the criteria laid down by the Rules of Issue, Renewal and Withdrawal of Integrated Pollution Prevention and Control Permits, the Company operates in accordance with IPPC permits approved by regional environmental protection departments. Currently, IPPC permits have been obtained for four facilities operated by the Company (Kaunas HPP, Kruonis PSP, Alytus TS and the Civil Safety Facility (Dubingiai). In these facilities waste is regularly managed, calculations of emissions from point and mobile pollution sources and stocktaking of taxable products, taxable packaging and chemical substances is regularly performed; internal audits of the management of chemical substances and preparations used and waste and waste water generated in the Company's activities is carried out, and reports are provided in accordance with the established procedure.

When new buildings are designed or buildings (transformer substations, switchyards and other facilities) undergo reconstruction, these are subject to environmental protection requirements. When selecting equipment, where possible, environmentally hazardous substances are replaced with environmentally friendly substances or substances that are less hazardous to the environment (e.g. oil break switches are replaced with gas break switches). When works are procured, contractors are obligated to handle construction waste and provide the Company with supporting documentation.
Special attention is given to the proposed economic activity listed in Annex 1 to the Law on Environmental Impact Assessment of the Proposed Economic Activity, i.e. the designing of 110 kV and higher voltage overhead transmission lines the construction of which involves the interests of residents of a large territory and those of environmental regulatory authorities. During the 1st half of 2010, a thorough environmental impact assessment of the proposed construction of 400 kV electricity transmission line Alytus – Polish border was ongoing. The Strategic Environmental Impact Assessment Report, the Concept of the Special Plan have already been presented to the public and assessment bodies and the Environmental Impact Assessment Report has been prepared which makes an in-depth analysis of the alternatives of the proposed route by evaluating all potential components of impact on the environment and the socio-economic environment, and possible pollution reduction and compensation measures have been envisaged.

References and additional explanations about data presented in the Consolidated Financial Statements

More detailed explanations of financial information are provided in the Explanatory Notes to the Financial Statements for the 1st half of 2010.

Material events after the end of the first half of 2010

In implementing the procedure of liquidation of LEO LT, AB, a company controlled by the Government of the Republic of Lithuania, and the energy sector restructuring plan, on 12 July 2010, Visagino atominė elektrinė UAB, a company wholly controlled by the Republic of Lithuania, acquired from LEO LT, AB the remaining 18 597 522 (eighteen million five hundred ninety-seven thousand five hundred twenty-two) ordinary registered shares of 1 (one) litas nominal value each held by LEO LT, AB, a company controlled by the Government of the Republic of Lithuania, in the Company, representing about 2.70% of the total shares of the Company. The shares were acquired for the price equal to the weighted average of six-month trade on the stock exchange (38 970 177 litas). Also, Visagino atominė elektrinė UAB took over from LEO LT, AB, a company undergoing liquidation, its remaining obligations (26 779 705.91 litas) under the loan agreement of 3 December 2009 between the Company and LEO LT, AB. Following the transaction, Visagino atominė elektrinė UAB owns 664 700 833 (six hundred sixty-four million seven hundred thousand eight hundred thirty-three) ordinary registered shares of the Company representing 96.40% of the total shares of the Company.

The Extraordinary General Shareholders Meeting of the Company held on 21 July 2010 made the following resolutions:

* Approval was made of the decision to set up a subsidiary engaged in commercial IT and telecommunication activities and to be a founder and/or member of Elektros tinklo paslaugos, UAB and Tetas UAB or the transmission system servicing company to be set up on the basis of those companies, as well as to become a member and/or founder of the company performing IT servicing and maintenance in electricity undertakings and to authorise the Board of the Company

to invest the Company's non-current assets for that purpose, including into the subsidiary of the Company Kruonio investicijos UAB (including non-current assets the value of which exceeds LTL 15 million, as specified in Clause 32.1 of the Articles of Association of the Company) and other assets or otherwise dispose of it for the purpose of participation in and/or setting up of the company.

* A decision was made to increase the authorised capital of the Company from LTL 689 515 435 (six hundred eighty-nine million five hundred fifteen thousand four hundred thirty-five litas) to LTL 1 004 973 044 (one billion four million nine hundred seventy-three thousand forty-four litas) by issuing 315 457 609 (three hundred fifteen million four hundred fifty-seven thousand six hundred nine) ordinary registered shares of LTL 1 (one litas) nominal value each. The issue price of one share is equal to LTL 2.07 (two litas and seven cents), the total issue price of all the shares of the Company is equal to LTL 652 997 250.63 (six hundred fifty-two million nine hundred ninety-seven thousand two hundred fifty litas and sixty-three cents). In exercising the pre-emption right to acquire shares issued by the Company, Visagino atominė elektrinė UAB will acquire 304 098 733 (three hundred four million ninety-eight thousand seven hundred thirty-three) ordinary registered shares of LTL 1 (one litas) nominal value each. The total issue price of the shares paid by contributions in kind is equal to LTL 629 484 377.31 (six hundred twenty-nine million four hundred eighty-four thousand three hundred seventy-seven litas and thirty-one cents). Visagino atominė elektrinė UAB will pay up the shares of the Company by the following contributions in kind that consist of the following property:

- 133 065 125 (one hundred thirty-three million sixty-five thousand one hundred twenty-five) ordinary registered shares of LTL 1 (one litas) nominal value each owned and held by Visagino atominė elektrinė UAB in AB Lietuvos elektrinė, representing 91.27% of the total shares of LIETUVOS ELEKTRINĖ AB, with the market value of LTL 572 180 037.50 (five hundred seventy-two million one hundred eighty thousand thirty-seven litas and 50 cents);

- Property comprising 110/6 kV Statybos TS 110 kV switchyard located in Visaginas Municipality, Sabatiškių vil., owned and controlled by Visagino atominė elektrinė UAB, and property comprising 330/110 kV Ignalina switchyard located in Visaginas Municipality, Drūkšių vil., owned and controlled by Visagino atominė elektrinė UAB; the market value of this property, as per certificate of property valuation No. 10-07-01-2638 of 19 July 2010 of an independent appraiser, is equal to LTL 57 304 340.00 (fifty-seven million three hundred four thousand three hundred forty litas).

* It was determined that all the terms of subscription for the new shares and the procedure for making the above-mentioned contributions in kind would be defined in separate agreements for the subscription for new shares to be concluded between the Company and the relevant shareholders subscribing for the new shares.

* A decision was made to amend the Articles of Association of the Company so as to enter the amount of the increased authorised capital, change the name of the parent company, delete the address of the registered office of the Company and replace the daily in which the notices of the Company will be publicised.

* A decision was made to elect Arvydas Darulis to serve on the Board for the remaining term of office of the Board of the Company.

In the Board meeting of the Company of 11 August 2010, Arvydas Darulis was elected Chairman of the Board of the Company.

On 22 July 2010, the subsidiary of the Company LITGRID UAB, Lithuanian transmission system operator (TSO), was reorganised from a private limited liability company into a public limited liability company. From now on, the name of the company is LITGRID UAB, its legal form is "public limited liability company", with its registered office remaining unchanged, at A. Juozapavičiaus g. 13, Vilnius, the Republic of Lithuania.

On 12 August 2010, the Securities Commission of the Republic of Lithuania approved the Prospectus of issue of the Company's shares to the existing shareholders and admission of the subscribed for shares to trading on the regulated market. The number of issued ordinary registered shares is 315 457 609, the total nominal issue price is 315 457 609 litas, the nominal value of one share is one litas. The issue price of one share is 2.07 litas. A public meeting of the Company with investors is scheduled for 19 August 2010.

Information on research and development activities of the Group companies

With the purpose to facilitate the implementation of the technically and economically sound investment policy, the Company yearly prepares programmes aimed at increasing the power system's efficiency and its development. Such programmes are mainly implemented using investments allocated for the construction of new energy facilities or the development and modernisation of the existing energy facilities. One of the main goals is the refurbishment of energy facilities by replacing the existing equipment with new and modern one and by implementing up-to-date relay protection, system automation, control, and information collection and transmission systems.

The Company yearly prepares the perspective plans of new construction and reconstruction works in compliance with the National Energy Strategy approved by the Seimas of the Republic of Lithuania, completed studies and other research. Annual investment plans are made on the basis of long-term plans.

An evaluation was also made of 2010-2020 investment plans of the Company (prepared on 6 August 2009).

Purpose of the evaluation:

- Analysis of the findings of audit on the condition of the Company's equipment.
- Evaluation of the methodology of determining the sequence of reconstruction of transformer substations.
- Evaluation of the network development plan.
- Evaluation of the investment plan and schedule for 2010-2020.
- Preparation of recommendations and proposals for the revision of the investment plan after evaluation of the efficiency of the electricity system.

In the first half of 2010, the Company purchased research and development works for 13 500 litas, i.e. investigations of the efficiency of planting of the upper basin slopes, which were carried out in Kruonis Pumped Storage Plant.

The companies of the Group do not have any material patents.

Number and nominal value of shares of the parent company owned by the company itself, its subsidiaries or persons acting on assignment thereof, but on their own behalf

Compared to information provided in the last consolidated annual report, there are no changes.

Other information about the issuer

Structure of issuer's authorised capital (number of shares, nominal value of one share, classes of shares, rights and obligations granted by each class of shares, percentage comprised by individual class of shares in the entire share capital)

Compared to information provided in the last consolidated annual report, there are no changes.

Number, nominal value and portion of the authorised capital comprised by own shares, acquired and transferred during the reporting period

Compared to information provided in the last consolidated annual report, there are no changes.

Any restrictions on transfer of securities (e.g., restrictions applied to blocks of securities or requirements for obtaining the approval of the Company or other owners of securities)

Compared to information provided in the last consolidated annual report, there are no changes.

Shareholders (total number of shareholders; shareholders owning or controlling at the end of the reporting period (specify the date) more than 5 per cent of the issuer's authorised capital (names, surnames of natural persons (hardcopy of the interim report submitted to the Commission must in addition contain personal codes of these individuals), names of companies, legal forms, company codes, office addresses), number of shares owned by shareholders by class, portion of the authorised capital and of votes held in percent; specify the percentage of votes granted by shares owned by each individual and the percentage of indirectly held votes separately)

As of 11 June 2010, the total number of shareholders is 5943.
As of 11 June 2010, the following shareholders held more than 5% of the share capital of the Company (LTL 689 515 435):

Company	Type of shares	Number of shares	Percentage of the authorised capital (%)	Voting interest (%)
Visagino atominė elektrinė UAB Company code 301844044, Žvejų g. 14, Vilnius	Ordinary registered shares	646 103 311	93.70	93.70

Shareholders holding special rights of control and descriptions of these rights

Compared to information provided in the last consolidated annual report, there are no changes.

Any restrictions on voting rights (e.g., restrictions on voting rights of persons holding a certain percentage or number of votes, deadlines by which the voting rights may be exercised or schemes according to which property rights granted by securities are separated from possession of securities)

Compared to information provided in the last consolidated annual report, there are no changes.

All mutual agreements of shareholders of which the issuer is aware and due to which the transfer of securities and (or) voting rights might be restricted

Compared to information provided in the last consolidated annual report, there are no changes.

Information about branches and representative offices of the Company

Compared to information provided in the last consolidated annual report, there are no changes.

Employees (average number of employees, changes over the last financial (business) year and half-year, determinants of important changes (more than 10 per cent), grouping of employees by education, number of executive personnel, specialists and workers, average monthly salary of each group of employees before taxes, special rights and obligations of the issuer's employees or any part thereof laid down in employment or collective agreements)

Changes in the average number of employees on the payroll during the past two financial years and the last and penultimate half-year periods

At the end of 2008–2009, the 1st half of 2009 and the 1st half of 2010, the Company employed the following number of persons:

	31 December 2008	31 December 2009	30 June 2009	30 June 2010
Total	967	889	897	817
of which:				
– power plants	273	206	207	194
– head office and divisions of the transmission network	694	683	694	623

A decrease in the number of employees was mostly influenced by a change of activity of the Company and, accordingly, reallocation of employees to the newly created companies, i.e. LITGRID UAB and its subsidiary BALTPOOL UAB.

As of 30 June 2010, the Group employed:

	30 June 2010
Total	1251
of which:	
- Company	817
– Energetikos pajėgos UAB	25
– VšĮ Energetikų mokymo centras	32
– Kauno energetikos remontas UAB group	262
– Kruonio investicijos UAB	1
- LITGRID UAB and Baltpool UAB	98
- Energijos tiekimas UAB	10
- InterLinks UAB	6

Composition of employees by type of work (as of 30 June 2010):

- Office staff – 64%
- Workers – 36%

Average number of employees of the Company and average monthly salaries

	2008		2009		1st half of 2009		1st half of 2010	
	Average relative number of employees	Average salary (LTL)	Average relative number of employees	Average salary (LTL)	Average relative number of employees	Average salary (LTL)	Average relative number of employees	Average salary (LTL)
Workers	374	2 318	305	2 190	314	2 156	289	2 193
Office staff	678	3740	559	3 665	560	3 650	488	3 576
Executive personnel	5	18 186	6	18 251	5	18 454	6	14 759
Total	1057	3 342	870	3 258	879	3 201	783	3 154

* *Before severance pay*

Breakdown of the Company's employees by educational background at the end of the period (the past two years and the half-year concerned)

	2008	2009	1st half of 2009	1st half of 2010
Number of employees	967	889	897	817
of which have:				
higher education	510	508	498 (~56%)	430 (~53%)
post-secondary education	327	281	293 (~33%)	271 (~33%)
secondary education	114	91	95 (~10%)	109 (~13%)
incomplete secondary education	16	9	11 (~1%)	7 (~1%)

Procedure for amendment of the issuer's Articles of Association

Compared to information provided in the last consolidated annual report, there are no changes.

Issuer's bodies (authorisations, procedure for their appointment and substitution)

Compared to information provided in the last consolidated annual report, there are no changes.

Members of collegial bodies, head of the company, Chief Financier (names and surnames (hardcopy of the interim report submitted to the Commission must in addition contain the personal codes of these persons), information about participation in the issuer's authorised capital, beginning and expiry of each person's term of office, information about amounts of money accrued by the issuer during the reporting period, other assets transferred and guarantees given to these persons in general as well as average amounts per one member of collegial body, head of the company and Chief Financier)

Following the Annual General Shareholders Meeting held on 30 April 2010, members of the collegial bodies were Henrikas Bernatavičius (Chairman of the Board), Aloyzas Koryzna (Board member), Arvydas Tarasevičius (Board member), Šarūnas Vasiliauskas (Board member), Kęstutis Žilėnas (elected as a Board member during the meeting). Aloyzas Koryzna was the head of the Company, and Tatjana Didikienė was Chief Financier of the Company. During the meeting, Vytautas Vazalinskas was recalled from the Board at his own request.

On 21 June 2010, the Company received from the Chairman of the Board Henrikas Bernatavičius a notice of resignation from the office of the Chairman of the Board with effect from 21 June 2010. Accordingly, prior to 30 June 2010, members of the collegial bodies of the Company, the head of the Company and the Chief Financier of the Company were the persons listed below:

Position	Name and surname	Start date	End date	Number of issuer's shares held
Board				
Board member	Aloyzas Koryzna	23.06.2009	To date	-
Board member	Arvydas Tarasevičius	23.10.2009	To date	-
Board member	Šarūnas Vasiliauskas	23.06.2009	To date	-
Board member	Kęstutis Žilėnas	30.04.2010	To date	-
Administration				
General Director	Aloyzas Koryzna	23.06.2009	To date	-
Chief Financier	Tatjana Didikienė	18.05.2009	To date	-

Information about total and average amounts of salaries, bonuses and other payouts from profits, calculated by the Company during the reporting period, per person (the General Director and the Chief Financier are considered to be the Administration):

	Salary for January-June 2009 (LTL)	Salary for January-June 2010 (LTL)
Average amount per Board member	113.010	0
Total amount for all Board members	452.038	0
Average amount per one Company's Administration member	235.917	96,123
Total amount for all Company's Administration members	471.833	192,246

* Including severance payments and compensation for outstanding leave entitlement

All agreements of the issuer and members of its bodies or employees providing for compensation should they resign or be laid off without a justified reason or should their employment cease due to the change in issuer's control

Compared to information provided in the last consolidated annual report, there are no changes.

The issuers of equity securities in addition have to present information on major transactions between related parties and specify the amounts of the transactions, the nature of relations between the parties concerned and other information about transactions necessary to understand the financial status of the company, if the transactions were material or were concluded under unusual market conditions. Information on individual transactions may be generalised by type of transaction, except where additional information must be disclosed for the purpose of understanding the impact of transactions between related parties on the financial condition of the company. The term "related party" has the same meaning as in the accounting standards applied by the issuer.

Compared to information provided in the last consolidated annual report, there are no changes.

Information about compliance with the Corporate Governance Code

Compared to information provided in the last consolidated annual report, there are no changes.

Data on the publicly disclosed information. The interim report must also contain a summary of information that the issuer has published in one or more Member States and third countries in the past 6 months for the purpose of discharging its obligations under applicable legal acts governing the securities market with the indication of where complete information may be obtained

During the 1st half of 2010, the Company published the following notifications about material events:

30.06.2010	Regarding the supplementing of the agenda and proposed draft resolutions of the Extraordinary General Shareholders Meeting of LIETUVOS ENERGIJA AB
22.06.2010	Information about the notice of resignation
18.06.2010	Information about the Board meeting of the Company
18.06.2010	The Extraordinary General Shareholders Meeting of the Company was held
07.06.2010	Regarding the transfer of Lietuvos energija AB shares into ownership of VAE
27.05.2010	Q1 2010 performance results of the Company
14.05.2010	Regarding the convening of the Extraordinary General Shareholders Meeting of LIETUVOS ENERGIJA AB
04.05.2010	News release of the Company
04.05.2010	Q1 2010 performance results of the Company
30.04.2010	Annual information of the Company
30.04.2010	Resolutions of the General Shareholders Meeting of the COMPANY
20.04.2010	Regarding the supplementing of the agenda and proposed draft resolutions of the Annual General Shareholders Meeting of LIETUVOS ENERGIJA AB
19.04.2010	Regarding the supplementing of the agenda of the Annual General Shareholders Meeting of LIETUVOS ENERGIJA AB
08.04.2010	The Annual General Shareholders Meeting of LIETUVOS ENERGIJA AB convened at 10.00 on 30 April 2010
26.03.2010	The Board of LIETUVOS ENERGIJA AB convenes the Annual General Shareholders Meeting
19.03.2010	Cooperation agreement regarding the implementation of the NordBalt Project was signed
03.03.2010	CORRECTION: Revised and supplemented unaudited interim financial statements of the Company for the twelve-month period of 2009
02.03.2010	CORRECTION: Revised and supplemented unaudited interim financial statements of the Company for the twelve-month period of 2009
01.03.2010	Unaudited interim financial statements of the Company for the twelve-month period of 2009
11.02.2010	Preliminary unaudited consolidated performance results of the Group of the Company for 2009
29.01.2010	Resolution of the Extraordinary General Shareholders Meeting
27.01.2010	Regarding information published in the media
13.01.2010	Regarding preparation of the Lithuanian Electricity Sector Restructuring and Optimisation Plan
06.01.2010	An Extraordinary General Shareholders Meeting of the Company convened on 29 January 2010
06.01.2010	Regarding liquidation of LEO, LT

All information about the material events published during the 1st half of 2010 is available on the website of Vilnius Stock Exchange at www.baltic.omxgroup.com/market/?pg=news and the Company's website at www.lietuvosenergija.lt.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2010
All amounts in LTL thousand, unless otherwise stated

ASSETS	Note	Group as at 30 June 2010	Company as at 30 June 2010	Group as at 31 December 2009	Company as at 31 December 2009
Non-current assets:					
Intangible assets	4	3,087	1,990	2,455	2,360
Property, plant and equipment	5	2,757,053	2,721,079	2,811,945	2,779,451
Prepayments for property, plant, equipment		9,307	9,307	9,648	9,648
Investment property	6	18,859	38,606	17,260	37,031
Investments in subsidiaries	7	-	28,259	-	19,564
Investments in associates and joint ventures	7	25,047	24,707	25,837	24,853
Accounts receivable		471	471	510	510
Other financial assets		29	-	127	-
Total non-current assets		**2,813,853**	**2,824,419**	**2,867,782**	**2,873,417**
Current assets:					
Inventories	8	3,553	3,065	3,819	3,245
Prepayments		5,590	7,006	8,491	8,412
Trade receivables	9	175,371	80,969	170,342	164,157
Other accounts receivable	10	30,983	47,103	77,568	78,014
Term deposits	12	48,599	-	17,160	17,000
Cash and cash equivalents	13	125,242	99,927	54,167	51,347
		389,338	**238,070**	**331,547**	**322,175**
Non-current assets classified as held for sale	14,32	7,775	5,653	3,205	-
Total current assets		**397,113**	**243,723**	**334,752**	**322,175**
TOTAL ASSETS		**3,210,966**	**3,068,142**	**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	16	331,748	329,032	346,170	343,404
Legal reserve	17	68,995	68,952	68,995	68,952
Other reserves	18	(63,747)	(63,777)	(63,777)	(63,777)
Retained earnings (deficit)		1,652,159	1,623,063	1,614,958	1,621,740
Total equity		**2,678,673**	**2,646,788**	**2,655,864**	**2,659,837**
Non-current liabilities:					
Finance lease liabilities	21	1,222	-	1,565	-
Grants	22	70,979	70,967	71,420	71,393
Deferred income	27	15,772	15,772	16,173	16,173
Other non-current accounts payable and liabilities	23	10,959	10,797	10,954	10,954
Deferred income tax liabilities	24	226,497	225,843	235,557	233,334
Total non-current liabilities		**325,429**	**323,379**	**335,669**	**331,854**
Current liabilities:					
Borrowings	20	12,485	-	14,200	13,811
Finance lease liabilities	21	577	-	532	-
Trade payables	25	137,628	59,733	157,124	157,406
Advance amounts received		2,436	1,571	2,285	1,061
Income tax payable		24,159	16,490	16,505	16,458
Other accounts payable and liabilities	26	24,244	20,181	20,355	15,165
		201,529	**97,975**	**211,001**	**203,901**
Liabilities related to assets classified as held for sale	14, 32	5,335	-	-	-
Total current liabilities		**206,864**	**97,975**	**211,001**	**203,901**
Total liabilities		**532,293**	**421,354**	**546,670**	**535,755**
TOTAL EQUITY AND LIABILITIES		**3,210,966**	**3,068,142**	**3,202,534**	**3,195,592**

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2010
All amounts in LTL thousand, unless otherwise stated

	Note	Group January–June 2010	Company January–June 2010	Group January–June 2009	Company January–June 2009
Revenue					
Sales revenue	27	819,932	436,448	804,656	125,782
Other operating income	29	18,923	78,739	22,705	13,584
		838,855	**515,187**	**827,361**	**139,366**
Operating expenses					
Purchase of electricity or related services		(581,478)	(350,149)	(599,741)	(86,124)
Purchase of capacity reserve		(26,336)	-	(53,307)	-
Transit expenses		(4,559)	-	(1,779)	-
Depreciation and amortisation		(82,749)	(81,545)	(87,853)	(5,016)
Wages and related expenses		(28,116)	(20,505)	(32,981)	(1,896)
Repair and maintenance expenses		(4,001)	(4,266)	(4,598)	(303)
Loss on revaluation of property, plant and equipment		-	-	(55,283)	(2,776)
Other expenses		(23,871)	(19,471)	(25,476)	(3,430)
Total operating expenses		**(751,110)**	**(475,936)**	**(861,018)**	**(99,545)**
OPERATING PROFIT (LOSS)		**87,745**	**39,251**	**(33,657)**	**39,821**
Finance income	30	2,135	2,205	3,460	3,441
Finance (costs):					
(Increase) decrease in value of investments, share of results of activities of associates and joint ventures		(616)	28	(138)	(138)
Other finance (costs)	31	(685)	(594)	(1,012)	(878)
		834	1,639	2,310	2,425
PROFIT (LOSS) BEFORE INCOME TAX		**88,579**	**40,890**	**(31,347)**	**42,246**
Current year income tax expense	24	(21,522)	(13,904)	(24,426)	(24,373)
Deferred income tax income (expense)	24	7,507	7,491	29,373	29,405
		(14,015)	(6,413)	4,947	5,032
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**74,564**	**34,477**	**(26,400)**	**47,278**
DISCONTINUED OPERATIONS					
Profit (loss) for the period from discontinued operations, net of income tax	32	(3,429)	-	-	(69,985)
PROFIT (LOSS) FOR THE PERIOD		**71,135**	**34,477**	**(26,400)**	**(22,707)**
Other comprehensive income					
Loss on revaluation of property, plant and equipment	5	-	-	(109,509)	(109,509)
Deferred income tax related to loss on revaluation of property, plant and equipment		-	-	21,902	21,902
Other comprehensive income, net of deferred income tax		-	-	(87,607)	(87,607)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**71,135**	**34,477**	**(114,007)**	**(110,314)**
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		71,135	34,477	(26,400)	(22,707)
Minority interest		-	-	-	-
		71,135	**34,477**	**(26,400)**	**(22,707)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		71,135	34,477	(114,007)	(110,314)
Minority interest		-	-	-	-
		71,135	**34,477**	**(114,007)**	**(110,314)**
Basic and diluted earnings (deficit) per share (in LTL)		**0.10**	-	**(0.04)**	-

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010
All amounts in LTL thousand, unless otherwise stated

		Equity attributable to the shareholders of the Company									
Group	**Note**	**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**
Depreciation of revaluation reserve	16	-		(17,536)	-	-	17,536	-	-	-	-
Other transfers to/from the reserves		-	-		(1,799)	(1,518,252)	1,520,034	18	1	(1)	-
Comprehensive income		-	-	(87,607)	-	-	(26,400)	-	(114,007)		(114,007)
Balance at 30 June 2009		**689,515**	**3**	**387,580**	**68,995**	**(63,722)**	**1,493,350**	**-**	**2,575,721**	**-**	**2,575,721**
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	16	-	-	(13,547)	-	-	13,547	-	-	-	-
Dividends paid		-	-	-	-	-	(48,266)	-	(48,266)	-	(48,266)
Other transfers to/from the reserves		-	-	-	-	30	(30)	-	-	-	-
Adjustment to previous year		-	-	(875)	-	-	875	-	-	-	-
Other adjustments							(60)		(60)		(60)
Comprehensive income		-	-	-	-	-	71,135	-	71,135	-	71,135
Balance at 30 June 2010		**689,515**	**3**	**331,748**	**68,995**	**(63,747)**	**1,652,159**	**-**	**2,678,673**	**-**	**2,678,673**

(Continued to the next page)

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 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**
Depreciation of revaluation reserve	16	-	-	(17,392)	-	-	17,392	-
Other transfers to/from the reserves		-	-	-	-	(1,515,348)	1,515,348	-
Comprehensive income		-	-	(87,607)	-	-	(22,707)	(110,314)
Balance at 30 June 2009		**689,515**	**3**	**378,231**	**68,952**	**(63,777)**	**1,498,061**	**2,570,985**
Balance at 31 December 2009		**689,515**	**3**	**343,404**	**68,952**	**(63,777)**	**1,621,740**	**2,659,837**
Depreciation of revaluation reserve	16	-	-	(13,497)	-	-	13,497	-
Dividends paid		-	-	-	-	-	(48,266)	(48,266)
Adjustment to previous year		-	-	(875)	-	-	875	-
Income (expenses) recognised directly in equity		-	-	-	-	-	740	740
Comprehensive income		-	-	-	-	-	34,477	34,477
Balance at 30 June 2010		**689,515**	**3**	**329,032**	**68,952**	**(63,777)**	**1,623,063**	**2,646,788**

(end)

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

**STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2010
All amounts in LTL thousand, unless otherwise stated**

	Note	Group as at 30 June 2010	Company as at 30 June 2010	Group as at 30 June 2009	Company as at 30 June 2009
Profit (loss) from continuing and discontinued operations		**71,135**	**34,477**	**(26,400)**	**(22,707)**
Reversal of non-cash expenses (income) and other adjustments					
Depreciation and amortisation expense	4,5,6	84,258	82,871	89,269	88,159
(Reversal of)/impairment charge on assets		869	2,333	574	574
Loss on revaluation of property, plant and equipment		-	-	55,284	55,199
Share of profit of associates and joint ventures		(644)	-	-	-
Income tax expense	24	21,522	13,904	24,426	24,373
Change in deferred income tax liability	24	(7,507)	(7,491)	(29,373)	(29,405)
(Income) from grants and connection of new users		(1,506)	(1,490)	(1,608)	(1,602)
Increase (decrease) in provisions		(93)	(256)	-	-
Loss on disposal/write-off of non-current assets (except financial assets)		1,195	1,182	349	313
Elimination of results of financing and investing activity:					
- Dividends		-	(300)	-	-
- Effect of changes in foreign exchange rates, net		14	14	16	8
- Interest (income)		(1,873)	(1,666)	(3,311)	(3,296)
- Interest expense		283	242	913	848
- Other finance (income) costs		126	99	1,739	1,684
Changes in working capital					
(Increase) decrease in trade receivables and other accounts receivable		(4,400)	67,959	(68,157)	(70,238)
(Increase) decrease in inventories and prepayments		1,587	1,921	(4,037)	(5,481)
Increase (decrease) in accounts payable and advance amounts received		(12,495)	(92,756)	46,345	48,661
Income tax (paid)		(13,834)	(13,834)	(12,660)	(12,613)
Net cash generated from operating activities		**138,637**	**87,209**	**73,369**	**74,477**
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets		(34,370)	(35,855)	(16,555)	(16,453)
Proceeds from sale of PP&E and intangible assets		1,145	1,244	-	-
Loans (granted)		-	-	-	(1,495)
Term deposits		(31,439)	17,000	(39,950)	(40,000)
(Acquisition) of bonds		-	-	(39,705)	(39,705)
Disposal of bonds	12	-	-	15,994	15,994
(Acquisition) of long-term investments		-	(6,351)	-	-
Dividends received		-	300	-	-
Interest received		986	676	2,596	2,589
Net cash used in investing activities		**(63,678)**	**(22,986)**	**(77,620)**	**(79,070)**
Cash flows from financing activities					
Proceeds from borrowings		-	-	220	-
(Repayment) of borrowings		(14,200)	(13,811)	-	-
Finance lease payments		(298)	-	(368)	-
Interest (paid)		(281)	(242)	(621)	(526)
Dividends (paid)		(1,590)	(1,590)	(12)	(12)
Other cash flows from financing activities		-	-	200	200
Net cash generated from (used in) financing activities		**(16,369)**	**(15,643)**	**(581)**	**(338)**
Net increase (decrease) in cash flows		**58,590**	**48,580**	**(4,832)**	**(4,931)**
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		**112,757**	**99,927**	**65,625**	**64,675**

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

1 General information

Lietuvos Energija AB 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. Lietuvos Energija AB (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 30 June 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 the 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. On 4 December 2009, the Agreement on the establishment of the national investor was terminated and the decision of the sole shareholder of LEO LT, AB regarding the liquidation of LEO LT, AB became effective on 31 December 2009. Shares of Lietuvos Energija AB were transferred to Visagino Atominė Elektrinė UAB which held 93.70 per cent of the Company's shares as at 30 June 2010. LEO LT, AB in liquidation owned 2.70 per cent of the Company's shares. 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 included electricity production, transmission trading 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.

As at 30 June 2010 and 31 December 2009, the Company had two operating branches, Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, operating according to the regulations approved by the Board of the Company.

Principal activities of subsidiaries of Lietuvos Energija AB are described in the table presented below.

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 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 AB (Lithuania), Interlinks UAB (Lithuania), Energijos Tiekimas UAB (Lithuania), Public Institution Centre of Training for Energy Specialists. Indirectly, through LITGRID AB, 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 30 June 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 2009. 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 interim financial statements. As at 30 June 2010, the Group consisted of Lietuvos Energija AB and the following directly and indirectly controlled subsidiaries:

1 *General information (cont'd)*

Company	Address of the company's registered office	Shareholding of the Group as at 30 June 2010	Share capital of the subsidiary as at 30 June 2010	Profit (loss) for 2010	Equity as at 30 June 2010	Principal activities
Energetikos Pajėgos UAB	T.Masiulio g. 16D, Kaunas, Lithuania	100 %	430	568	1,092	Designing of energy facilities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100 %	31,341	(1,590)	22,171	Repair of energy equipment, production of metal structures
Kruonio Investicijos UAB	Kruonio IIk., Kaišiadorys region, Lithuania	100 %	2,361	(728)	847	Development of public and recreational projects
Gotlitas UAB (controlled through Kauno Energetikos Remontas UAB)	R.Kalantos g. 119, Kaunas, Lithuania	100 %	1,450	(14)	1,756	Accommodation services, trade
LITGRID AB	Juozapavičiaus g. 13, Vilnius, Lietuva	100 %	9,748	40,203	49,904	Activities related to the electricity transmission system operator
BALTPOOL UAB (controlled through LITGRID UAB)	Juozapavičiaus g. 13, Vilnius, Lithuania	100 %	318	124	430	Activities related to the electricity market operator
InterLinks UAB	Žvejų g. 14, Vilnius, Lithuania	100 %	1,500	(3,256)	2,070	Development and implementation of projects on electricity transmission interconnections
Energijos Tiekimas UAB	Žvejų g. 14, Vilnius, Lithuania	100 %	750	1,996	2,711	Independent electricity supply
Respublikinis energetikų mokymo centras VŠĮ	Jeruzalės g. 21, Vilnius, Lithuania	100 %	294	(356)	(60)	Professional development and further training of energy specialists

As at 30 June 2010, the number of employees of the Group was 1,251 (31 December 2009: 1,227). As at 30 June 2010, the number of employees of the Company was 817 (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 year 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 interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting').

These interim 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:

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

IFRIC 18, 'Transfers of Assets from Customers' (effective prospectively to transfers of assets from customers received on or after 1 July 2009; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009). The Company and the Group adopted this new interpretation in the preparation of the interim financial statements (see paragraph 2.22 of the accounting policies).

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

IFRS 3, 'Business Combinations' (revised in January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

IAS 27, 'Consolidated and Separate Financial Statements' (revised in January 2008; effective for annual periods beginning on or after 1 July 2009).

Eligible Hedged Items – Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement' (effective with retrospective application for annual periods beginning on or after 1 July 2009).

Group Cash-settled Share-based Payment Transactions—Amendments to IFRS 2, 'Share-based Payment' (effective for annual periods beginning on or after 1 January 2010).

Improvements to IFRSs (May 2008 and April 2009) In May 2008 and April 2009, IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the changes are effective for financial years beginning on or after 1 January 2010, unless stated otherwise.

IFRIC 12, 'Service Concession Arrangements' (effective for financial years beginning on or after 30 March 2009).

IFRIC 15, 'Agreements for the Construction of Real Estate' (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted).

IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' (effective for annual periods beginning on or after 1 October 2008).

IFRIC 17, 'Distribution of Non-cash Assets to Owners' (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted).

IFRS 1, 'First-time Adoption of International Financial Reporting Standards' (following an amendment 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, with early adoption permitted).

2 *Accounting policies (cont'd)*

2.2 Standards, interpretations and their amendments that are not yet effective and have not been early 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 Company's and the Group'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 Company's and the Group'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). These amendments are unlikely to have a material impact on the Group's and Company's 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 Company and the Group is currently assessing the impact of the amended standard on the 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 01 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 (cont'd)*

2.3 Standards, interpretations and their amendments that are not yet effective and have not been early adopted by the Company and the Group (cont'd)

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 Company's and the Group'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 Company's and the Group's financial statements.

2.3 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.

2.4 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. 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.

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.

2.5 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.

2.6 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 position 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.

2.7 Investments in associates and joint ventures (cont'd)

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.

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'.

2.7 Property, plant and equipment and intangible assets

<u>Property, plant and equipment</u>

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

Since 31 December 2008 the Company/Group has 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.

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 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 income tax.

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

<u>Intangible assets</u>

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 (cont'd)*

2.8 Property, plant and equipment and intangible assets (cont'd)

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 asset. 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:

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.

2.9 Impairment of property, plant and equipment and intangible assets (cont'd)

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 or 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 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:

Held-to-maturity financial assets

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.

2.12 Financial assets (cont'd)

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

The 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 assess 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 (FIFO). Net realisable value is the selling price, less the estimated costs of completion, marketing and selling expenses.

2 Accounting policies (cont'd)

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 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 the 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 30 June 2010			At 31 December 2009		
1 LVL	=	4.8676 LTL	1 LVL	=	4.8679 LTL
100 RUB	=	9.0483 LTL	100 RUB	=	7.9465 LTL
10 SEK	=	3.6241 LTL	10 SEK	=	3.3449 LTL
1 USD	=	2.8208 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 (cont'd)*

2.16 Foreign currency (cont'd)

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 when 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. If a discount rate is applied, the increase in the provision reflecting a past period is accounted for as interest expenses.

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 its 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 recognise 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 (cont'd)*

2.19 Employee benefits (cont'd)

(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 the Board of directors that makes 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 electricity acquired at the electricity exchange, 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. The Company does not recognise revenue and expenses from transmission trading in the trading exchange with respect to those transaction in which it acts as an agent.

<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 (cont'd)*

2.22 Revenue and expense recognition (cont'd)

In providing PSO services the Group earns income and incurs 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 Group purchases 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 consumers/suppliers

Until 2009 payments received for the connection of new consumers/suppliers initially were recognised as deferred income 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.

Starting from 2010 (applicable to transactions from 1 July 2009) the Company recognises such income immediately after the connection of the new consumer/supplier provided that the electricity price to be paid by the new consumer/supplier in future for services rendered/purchased by the Company/Group does not differ from the price paid by other consumers/suppliers who have not made payments for connection.

Repair service revenue

Revenue from customer specific agreements/projects, i.e. repair services (Note 29), 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 for 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. As from 1 January 2010 income tax rate is 15 per cent.

2 *Accounting policies (cont'd)*

2.24 Income tax (cont'd)

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 30 June 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 30 June 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 (cont'd)

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 2.8, 5 and 6), evaluation of impairment for accounts receivable and investments (Notes 2.12, 7, 9 and 10), percentage of completion evaluation for repair service contracts (Notes 2.22 and 29) and disclosure of contingent liabilities (Note 36). 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 started in mid-2008 has among other things led to lesser financing willingness of capital markets, a lower of liquidity level across the banking sector and at times, higher inter-bank loan interest rates and very large volatility in the 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.

Management has updated the carrying value of property, plant and equipment measured in accordance with the revaluation model as at 30 June 2009. As at 30 June 2009 the carrying value of property, plant and equipment was decreased using the construction cost indexes announced by the Statistics Department of the Republic of Lithuania for the relative groups of property, plant and equipment (note 5). The Group and the Company for buildings group applied 9,3% statistical index and for all other groups of property, plant and equipment – 7.4% index.

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 (administrative buildings and warehouses) that as at 31 December 2008 was revalued using comparative prices method, was revalued at 31 December 2009 based on the report on fair value changes of industrial real estate in Lithuania by region in 2009 provided by an independent valuer Ober-Haus Nekilnojamasis Turtas UAB. This report was derived from market evidence on changes of real estate prices. For further information see Note 5.

On 30 June 2010, the Group and the Company assessed the change in the construction cost indices in respect of relevant categories of assets and changes in prices of industrial real estate during the period from 1 December 2009 to 30 June 2010 published by the Lithuanian Statistics Department. As changes in the index/prices were insignificant, management decided not to reduce carrying amounts of property, plant and equipment.

3 Significant accounting estimates and judgments (cont'd)

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.

The Group and the Company designate property, plant and equipment, except property, plant and equipment of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, at fair value in accordance with International Accounting Standard No.16 'Property, plant and equipment'. Fair value of mostly all items of property, plant and equipment of the Group and the Company due to their specific nature is measured using a depreciated replacement cost approach 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 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 might have a significant negative impact on 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 and 2010.

Valuation of fair values of property, plant and equipment as at 31 December 2009 and 30 June 2010 was not performed by independent valuers, as the mentioned amendments to regulatory legislation came into force only from 1 January 2010 and their impact on the future revenue generation of the Group and Company cannot be accurately assessed. For information on performed revaluation of property, plant and equipment see paragraph 'Revaluation of property, plant and equipment' and Note 5.

Due to the same reasons described above as at 31 December 2009 and 30 June 2010 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.

Impairment of investments to subsidiaries (in the Company) and associates (in the Group and the Company)

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 of 30 June 2010 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 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. During the first half of 2010 the Company carried out preparatory works for the reconstruction of Panevėžys transformer substation. Revenue growth is expected in coming reporting periods. In view of these developments, additional impairment was not recognised as at 30 June 2010.

3 Significant accounting estimates and judgments (cont'd)

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 December 2009 and 30 June 2010, as described above.

4 *Intangible assets*

The structure of the Group's intangible assets as at 30 June 2010 and 31 December 2009 is as follows:

Group	Patents and licenses	Computer 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
Period ended 30 June 2009				
Opening net book amount	136	2,998	15	3,149
Additions		43		43
Amortisation charge	(121)	(731)	(6)	(858)
Net book amount at 30 June 2009	15	2,310	9	2,334
At 30 June 2009				
Cost	2,358	17,587	36	19,981
Accumulated amortisation	(2,343)	(15,172)	(27)	(17,542)
Accumulated impairment	-	(105)	-	(105)
Net book amount at 30 June 2009	15	2,310	9	2,334
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
Period ended 30 June 2010				
Opening net book amount	11	2,421	23	2,455
Additions and transfers from property, plant and equipment	15	1,455	12	1,482
Write-offs and disposals	-	-	(13)	(13)
Amortisation charge	(3)	(827)	(7)	(837)
Net book amount at 30 June 2010	23	3,049	15	3,087
At 30 June 2010				
Cost	2,170	15,853	48	18,071
Accumulated amortisation	(2,147)	(12,699)	(33)	(14,879)
Accumulated impairment	-	(105)	-	(105)
Net book amount at 30 June 2010	**23**	**3,049**	**15**	**3,087**

The structure of the Company's intangible assets as at 30 June 2010 and 31 December 2009 is as follows:

Company	Patents and licenses	Computer 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
Period ended 30 June 2009				
Opening net book amount	118	3,026	-	3,144
Amortisation charge	(118)	(720)	-	(838)
Net book amount at 30 June 2009	-	2,306	-	2,306
At 30 June 2009				
Cost	2,277	17,243	-	19,520
Accumulated amortisation	(2,277)	(14,937)	-	(17,214)
Net book amount at 30 June 2009	-	2,306	-	2,306
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
Period ended 30 June 2010				
Opening net book amount	-	2,360	-	2,360
Additions and transfers from property, plant and equipment	-	1,474	13	1,487
Write-offs and disposals	-	(1,283)	-	(1,283)
Amortisation charge	-	(574)	-	(574)
Net book amount at 30 June 2010	-	1,977	13	1,990
At 30 June 2010				
Cost	2,049	14,179	13	16,241
Accumulated amortisation	(2,049)	(12,202)	-	(14,251)
Net book amount at 30 June 2010	**-**	**1,977**	**13**	**1,990**

4 *Intangible assets (cont'd)*

Acquisition cost of the Group's and the Company's intangible assets, which were fully amortised but still in use as at 30 June 2010 and 31 December 2009, is as follows:

Category of intangible assets	Group at 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Patents and licenses	2,049	2,049	2,073	2,073
Computer software	9,944	9,877	13,140	13,089
Total	**11,993**	**11,926**	**15,213**	**15,162**

5 *Property, plant and equipment*

The structure of the Group's property, plant and equipment as at 30 June 2010 and 31 December 2009 is as follows:

Group	Land	Buildings	Structures and machinery	Assets of 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**	**555,625**	**9,596**	**62,507**	**146,202**	**3,149,671**
Period ended 30 June 2009								
Opening net book amount	286	192,921	2,182,534	555,625	9,596	62,507	146,202	3,149,671
Additions	-	63	109	8,533	-	7,189	24,364	40,258
Revaluation	-	(14,913)	(146,972)	-	-	-	(2,907)	(164,792)
Disposals	-	-	-	-	-	(2)	-	(2)
Write-offs	-	-	(350)	(140)	(29)	(11)	-	(530)
Reversal of impairment	-	-	-	183	-	-	-	183
Reclassification between groups	-	5,908	94,970	-	-	8,548	(109,426)	-
Transferred to inventories	-	(4,619)	-	-	-	(1,258)	-	(5,877)
Transferred to investment property (Note 6)	-	(19,216)	-	-	-	-	-	(19,216)
Depreciation charge		(2,548)	(63,863)	(11,149)	(1,494)	(9,310)		(88,364)
Net book amount	**286**	**157,596**	**2,066,428**	**553,052**	**8,073**	**67,663**	**58,233**	**2,911,331**
At 30 June 2009								
Cost or revaluated amount	286	164,625	2,134,304	657,286	9,567	77,701	58,233	3,102,002
Accumulated depreciation	-	(2,548)	(63,863)	(103,279)	(1,494)	(9,310)	-	(180,494)
Accumulated impairment	-	(4,481)	(4,013)	(955)	-	(728)	-	(10,177)
Net book amount	**286**	**157,596**	**2,066,428**	**553,052**	**8,073**	**67,663**	**58,233**	**2,911,331**

5 *Property, plant and equipment (cont'd)*

Group	Land	Buildings	Structures and machinery	Assets of Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construc-tion 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**
Period ended 30 June 2010								
Opening net book amount	286	130,172	2,005,322	572,209	6,941	70,354	26,661	2,811,945
Additions	7,542	-	18	7,866	26	100	18,248	33,800
Write-offs	-	-	(1,173)	(1)	-	(8)	-	(1,182)
Impairment	-	(641)	-	-	(31)	-	-	(672)
Reclassification between groups	-	472	14,218	-	1,147	(1,197)	(14,640)	-
Transferred to the group of assets held for sale	-	-	(574)	-	-	-	-	(574)
Transferred to intangible assets	-	-	-	-	-	(1,244)	-	(1,244)
Transferred to investment property (Note 6)	-	(1,841)	-	-	-	-	-	(1,841)
Depreciation charge	-	(1,891)	(60,574)	(10,998)	(1,343)	(8,373)	-	(83,179)
Net book amount	**7,828**	**126,271**	**1,957,237**	**569,076**	**6,740**	**59,632**	**30,269**	**2,757,053**
At 30 June 2010								
Cost or revaluated amount	7,828	133,756	2,021,775	695,256	10,995	87,432	30,269	2,987,311
Accumulated depreciation	-	(1,891)	(60,525)	(125,411)	(4,224)	(27,544)	-	(219,595)
Accumulated impairment	-	(5,594)	(4,013)	(769)	(31)	(256)	-	(10,663)
Net book amount	**7,828**	**126,271**	**1,957,237**	**569,076**	**6,740**	**59,632**	**30,269**	**2,757,053**

As described in Note 3, revaluation of property, plant and equipment of the Group (except for the assets of the Hydro Power Plant and the Pumped Storage Plant) was carried out as at 30 June 2009. The total amount of the decrease arising on revaluation was LTL 164,792 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
109,509	55,283	164,792
109,509	**55,283**	**164,792**

As described in Note 3, at 30 June 2010, management decided not to recognise additional revaluation deficit/impairment charge for property, plant and equipment.

The structure of the Company's property, plant and equipment as at 30 June 2010 and 31 December 2009 is as follows:

Company	Land	Buildings	Structures and machinery	Assets of Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construc-tion 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 (cont'd)

Company	Land	Buildings	Structures and machinery	Assets of Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construc-tion in progress	Total
Period ended 30 June 2009								
Opening net book amount	286	156,259	2,175,920	555,625	8,343	61,918	146,339	3,104,690
Additions	-	-	47	8,533	-	7,154	24,458	40,192
Revaluation	-	(14,829)	(146,972)	-	-	-	(2,907)	(164,708)
Disposals	-	-	-	-	-	(2)	-	(2)
Write-offs	-	-	(346)	(140)	-	(8)	-	(494)
Reversal of impairment	-	-	-	183	-	-	-	183
Reclassification between groups	-	5,908	94,970	-	-	8,548	(109,426)	-
Transferred to investment property (Note 6)	-	(19,216)	-	-	-	-	-	(19,216)
Depreciation charge	-	(2,150)	(63,267)	(11,149)	(1,334)	(9,259)	-	(87,159)
Net book amount at 30 June 2009	**286**	**125,972**	**2,060,352**	**553,052**	**7,009**	**68,351**	**58,464**	**2,873,486**
Cost or revaluated amount	286	126,117	2,061,576	657,286	7,009	69,079	58,464	2,979,817
Accumulated depreciation	-	-	-	(103,279)	-	-	-	(103,279)
Accumulated impairment	-	(145)	(1,224)	(955)	-	(728)	-	(3,052)
Net book amount	**286**	**125,972**	**2,060,352**	**553,052**	**7,009**	**68,351**	**58,464**	**2,873,486**
At 31 December 2009								
Cost or revaluated amount	286	100,785	2,003,654	687,391	8,416	90,936	27,209	2,918,677
Accumulated depreciation	-	-	-	(114,413)	(2,560)	(19,387)	-	(136,360)
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**
Period ended 30 June 2010								
Opening net book amount	286	100,640	2,002,430	572,209	5,856	70,821	27,209	2,779,451
Additions	7,542	36	499	7,866	-	90	19,148	35,181
Write-offs	-	-	(1,173)	(1)	-	(8)	-	(1,182)
Impairment	-	-	-	-	(31)	-	-	(31)
Reclassification between groups	-	472	14,218	-	1,151	(1,201)	(14,640)	-
Transferred to intangible assets	-	-	-	-	-	(1,244)	-	(1,244)
Assets contributed to form share capital of subsidiary	-	-	-	-	(166)	(7,058)	-	(7,224)
Transferred to investment property (Note 6)	-	(1,959)	-	-	-		-	(1,959)
Depreciation charge	-	(1,542)	(60,280)	(10,998)	(1,178)	(7,915)	-	(81,913)
Net book amount at 30 June 2010	**7,828**	**97,647**	**1,955,694**	**569,076**	**5,632**	**53,485**	**31,717**	**2,721,079**
Cost or revaluated amount	7,828	99,334	2,017,149	695,256	9,382	81,212	31,717	2,941,878
Accumulated depreciation	-	(1,542)	(60,231)	(125,411)	(3,719)	(26,999)	-	(217,902)
Accumulated impairment	-	(145)	(1,224)	(769)	(31)	(728)	-	(2,897)
Net book amount	**7,828**	**97,647**	**1,955,694**	**569,076**	**5,632**	**53,485**	**31,717**	**2,721,079**

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 30 June 2009. In 2009, the total amount of the decrease arising on revaluation was LTL 164,708 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
109,509	55,199	164,708
109,509	**55,199**	**164,708**

5 *Property, plant and equipment (cont'd)*

Non-current assets indicated in the table below have been leased to LITGRID UAB according to the agreement of 9 December 2009 concluded between the system owner and the electricity transmission system operator.

	Intangible assets	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Total
Net book amount at 30 June 2010	86	1,961	34,048	1,922,274	723	29,782	1,988,874

As described in Note 3, at 30 June 2010, the Company's management decided not to recognise additional impairment charge for property, plant and equipment.

Investment projects completed by the Company/Group in the period January – June 2010 are as follows:

Project	Value, LTL thousand
Reconstruction of 100 kV switchgear at 110/35/10kV Šakiai transformer substation	4,079
Reconstruction of 110 kV switchgear at 110/10 kV Ignalina transformer substation	3,854

Net book amounts of property, plant and equipment acquired by the Group under financial lease contracts as at 30 June 2010 and 31 December 2009 are as follows:

Category of PP&E	At 30 June 2010	At 31 December 2009
Plant and machinery	3,878	3,705
Motor vehicles	296	331
Total	**4,174**	**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 139 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 30 June 2010, construction works for LTL 118 million have been completed under the general contract. The Company's/Group's liability under this project amounts to LTL 8 million as at 30 June 2010 (31 December 2009: LTL 12 million). The Group's/Company's other material purchase commitments under signed agreements related to non-current tangible assets amounts to nearly LTL 109 million as at 30 June 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 deemed cost method as at 30 June 2010 and 31 December 2009:

Group	Land	Buildings	Structures and machinery	Assets of Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
Net book amount								
At 31 December 2009	119	138,355	1,716,259	572,209	6,913	68,794	27,948	2,530,597
At 30 June 2010	7,661	126,083	1,669,356	569,076	6,912	58,251	31,716	2,469,055

Company	Land	Buildings	Structures and machinery	Assets of Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
Net book amount								
At 31 December 2009	119	98,772	1,708,012	572,209	5,856	67,844	27,948	2,480,760
At 30 June 2010	7,661	96,136	1,666,157	569,076	5,631	50,942	32,455	2,428,058

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**
At 30 June 2009		
Opening net book amount	3,919	21,779
Transferred from property, plant and equipment (Note 5)	19,216	19,216
Depreciation charge	(47)	(162)
Net book amount at 30 June 2009	**23,088**	**40,833**
At 30 June 2009		
Cost	4,377	22,699
Accumulated depreciation	(505)	(1,082)
Net book amount at 30 June 2009	**3,872**	**21,617**
At 31 December 2009		
Cost	24,441	44,907
Accumulated depreciation	(819)	(1,514)
Accumulated impairment	(6,362)	(6,362)
Net book amount at 31 December 2009	**17,260**	**37,031**
At 30 June 2010		
Opening net book amount	17,260	37,031
Transferred from investment property to property, plant and equipment	(99)	(4,194)
Transferred from property, plant and equipment to investment property	1,940	6,153
Depreciation charge	(242)	(384)
Net book amount at 30 June 2010	**18,859**	**38,606**
At 30 June 2010		
Cost	26,282	46,866
Accumulated depreciation	(1,061)	(1,898)
Accumulated impairment	(6,362)	(6,362)
Net book amount at 30 June 2010	**18,859**	**38,606**

At 31 December 2009, the 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. No additional impairment charge was recognised as at 30 June 2010.

As estimated by the Company and based on observable market data, the fair value of the investment property of the Group and the Company as at 30 June 2010 and 31 December 2009 approximates to their carrying amounts.

Income from lease of investment property of the Group and the Company in the first half of 2010 amounted to LTL 491 thousand and LTL 761 thousand, respectively. Rental income of the Group and the Company during the same period in 2009 amounted to LTL 472 thousand and LTL 999 thousand, respectively. The average validity term of lease contracts concluded is 2 years as at 31 December 2009 and 30 June 2010.

7 *Investments*

As at 30 June 2010 and 31 December 2009, the Company had direct control over these subsidiaries:

Subsidiary **At 30 June 2010**	**Acquisition cost**	**Impairment**	**Carrying amount**
Kauno Energetikos Remontas UAB	31,341	(15,441)	15,900
LITGRID UAB	9,748	-	9,748
Kruonio Investicijos UAB	2,361	(914)	1,447
Energijos Tiekimas UAB	750	-	750
Energetikos Pajėgos UAB	414	-	414
Interlinks UAB (Note 14)	-	-	-
Respublikinis energetikų mokymo centras VšĮ (Note 14)	-	-	-
Total	**44,614**	**(16,355)**	**28,259**

Subsidiary **At 31 December 2009**	**Acquisition cost**	**Impairment**	**Carrying amount**
Kauno Energetikos Remontas UAB	31,341	(15,441)	15,900
Kruonio Investicijos UAB	2,361	(914)	1,447
Interlinks UAB	903	-	903
LITGRID UAB	500	-	500
Energetikos Pajėgos UAB	414	-	414
Energijos Tiekimas UAB	400	-	400
Respublikinis energetikų mokymo centras VšĮ	-	-	-
Total	**35,919**	**(16,355)**	**19,564**

In these interim financial statements Interlinks UAB and Respublikinis energetikų mokymo centras VšĮ were classified as non-current assets held for sale as at 30 June 2010 (Note 14).

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 supplier 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.

Based on the 30 June 2010 decision of Lietuvos Energija AB, a sole shareholder of LITGRID UAB, the company was reorganised to a public limited liability company (AB).

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.

7 *Investments (cont'd)*

Based on the Board's decision of 7 October 2009 the Company acquired InterLinks UAB from LEO, AB.

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 Group's investments in the associates and the joint venture as at 30 June 2010 and 31 December 2009 is as follows:

Group At 30 June 2010	**Acquisition cost**	**Ownership (% of shares)**	**Impairment and equity method**	**Carrying amount**
Nordic Energy Link AS	21,175	25.00	346	21,521
Geoterma UAB	7,396	23.44	(4,128)	3,268
LitPol Link Sp.z.o.o	1,020	50.00	(776)	244
Enmašas UAB	20	33.33	(6)	14
Total	**29,611**		**(4,564)**	**25,047**

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

Structure of the Company's investments in the associates and the joint venture as at 30 June 2010 and 31 December 2009 is as follows:

Company At 30 June 2010	**Acquisition cost**	**Ownership (% of shares)**	**Impairment**	**Carrying amount**
Nordic Energy Link AS	21,175	25.00	-	21,175
Geoterma UAB	7,396	23.44	(3,864)	3,532
LitPol Link Sp.z.o.o	1,020	50.00	(1,020)	-
Total	**29,591**		**(4,884)**	**24,707**

Company At 31 December 2009	**Acquisition cost**	**Ownership (% of shares)**	**Impairment**	**Carrying amount**
Nordic Energy Link AS	21,175	25.00	-	21,175
Geoterma UAB	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 (cont'd)*

Financial position as at 30 June 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 30 June 2010	**Assets**	**Liabilities**	**Sales revenue**	**Net profit (loss)**
Nordic Energy Link AS	312,623	231,934	30,178	(2,497)
Geoterma UAB	56,051	15,277	6,127	(1,126)
LitPol Link Sp.z.o.o	1,516	519	1,597	488
Enmašas UAB *	-	-	-	-

At 31 December 2009	**Assets**	**Liabilities**	**Sales revenue**	**Net profit (loss)**
Nordic Energy Link AS	327,797	244,612	61,395	3,880
Geoterma UAB	56,749	16,591	18,333	2,122
LitPol Link Sp.z.o.o	1,627	1,092	2,917	(71)
Enmašas UAB *	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 for the periods ended 30 June 2010 and 30 June 2009 were as follows:

	Group at 30 June 2010	**Company at 30 June 2010**	**Group at 30 June 2009**	**Company at 30 June 2009**
Carrying amount at 1 January	**25,837**	**24,853**	**25,699**	**24,760**
Increase (decrease) in value of investments	(166)	(146)	-	(138)
Share of financial result (loss) of associates and joint ventures	(624)		(138)	-
Carrying amount at the end of the period	**25,047**	**24,707**	**25,561**	**24,622**

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

8 Inventories

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

	Group at 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Materials and spare parts at acquisition (production) cost	9,096	3,993	9,291	4,144
Non-current assets held for sale	47	47	-	-
Goods for resale at acquisition cost	76	76	146	146
Less: write-down to net realisable value	(5,666)	(1,051)	(5,618)	(1,045)
Carrying amount	**3,553**	**3,065**	**3,819**	**3,245**

The acquisition cost of the Group's and the Company's inventories accounted for at net realisable value as at 30 June 2010 amounted to LTL 8,366 thousand and LTL 1,185 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 30 June 2010 amounted to LTL 5,041 thousand and LTL 1,749 thousand, respectively (31 December 2009: LTL 3,505 thousand and LTL 1,818 thousand, respectively).

Movements in impairment of inventories during the periods ended 30 June 2010 and 30 June 2009 are shown in the table below:

	Group at 30 June 2010	Company at 30 June 2010	Group at 30 June 2009	Company at 30 June 2009
Impairment provision for inventories at 1 January	5,618	1,045	4,448	858
Write-down of inventories during the reporting period	112	70	197	197
Reversal of inventories write-down	(64)	(64)	(292)	(37)
Impairment provision for inventories at 31 December	**5,666**	**1,051**	**4,353**	**1,018**

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

9 *Trade receivables*

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

	Group at 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Receivables for electricity sold in Lithuania	176,269	90,531	142,037	142,037
Receivables for repair and design works	7,117	-	7,894	-
Unbilled revenue from electricity-related sales	3,307	54	8,576	8,576
Receivables for exported electricity	-	-	23,543	23,543
VAT on unbilled revenue	-	-	25	25
Total	**186,693**	**90,585**	**182,075**	**174,181**
Less: provision for doubtful receivables	(11,322)	(9,616)	(11,733)	(10,024)
Carrying amount	**175,371**	**80,969**	**170,342**	**164,157**

The fair value of trade receivables approximates their carrying amounts.

Movements in impairment of trade receivables during the periods ended 30 June 2010 and 30 June 2009 are shown in the table below:

	Group at 30 June 2010	Company at 30 June 2010	Group at 30 June 2009	Company at 30 June 2009
Carrying amount at 1 January	**11,733**	**10,024**	**10,313**	**9,612**
Recognised as doubtful receivables in the reporting period	13	3	298	298
Reversal of doubtful receivables	(424)	(411)	(3)	-
Carrying amount at the end of the period	**11,322**	**9,616**	**10,608**	**9,910**

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

As at 30 June 2010 and 30 June 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 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Not past due	165,416	78,052	163,877	162,780
Past due up to 30 days	7,019	2,910	3,085	1,377
Past due from 30 to 60 days	510	7	3,380	-
Past due from 60 to 90 days	94	-	-	-
Past due more than 90 days	2,332	-	-	-
Carrying amount	**175,371**	**80,969**	**170,342**	**164,157**

10 Other accounts receivable

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

	Group at 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Loan granted to LEO LT, AB	26,780	26,780	73,309	73,309
Other accounts receivable	4,126	4,852	4,444	4,199
Receivables for IT and telecommunications services	3,403	3,440	2,623	2,623
Accrued interest receivable	211	-	840	840
VAT receivable from the budget	166	-	-	-
Current portion of long-term receivables (Note 8)	31	31	28	28
Receivables for lease, maintenance of the network and other services	-	13,234	-	-
Loan granted to Kauno Energetikos Remontas UAB	-	2,500	-	-
Loan granted to Interlinks UAB	-	-	-	691
Total	**34,717**	**50,837**	**81,244**	**81,690**
Less: provision for doubtful receivables	(3,734)	(3,734)	(3,676)	(3,676)
Carrying amount at the end of the period	**30,983**	**47,103**	**77,568**	**78,014**

The repayment date of the loan granted to LEO AB is 31 May 2011. The loan bears interest rate of 1 month VILIBOR plus 1.2 per cent margin. The total amount of the loan granted to LEO LT, AB is LTL 73,309 thousand, LTL 46,529 thousand of which was offset against dividends payable.

Movements in impairment of doubtful other receivables during the periods ended 30 June 2010 and 30 June 2009 are shown in the table below:

	Group at 30 June 2010	Company at 30 June 2010	Group at 30 June 2009	Company at 30 June 2009
Carrying amount at 1 January	**3,676**	**3,676**	**4,870**	**4,870**
Reversal of doubtful receivables	(210)	(210)	(30)	(30)
Write-down of doubtful receivables	(2)	(2)	(27)	(27)
Recognised as doubtful receivables in the reporting period	270	270	35	35
Carrying amount at the end of the period	**3,734**	**3,734**	**4,848**	**4,848**

As at 30 June 2010, the majority of impaired other receivables of the Group and the Company consisted of trade receivables from the bank Litimpex (LTL 2,840 thousand) (31 December 2009: LTL 3,038 thousand) which had gone bankrupt as of the date of the financial statements.

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 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Not past due	30,530	46,650	77,258	77,704
Past due up to 30 days	-	-	144	144
Past due from 30 to 60 days	182	182	166	166
Past due more than 60 days	271	271	-	-
Carrying amount	**30,983**	**47,103**	**77,568**	**78,014**

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

11 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.

12 Term deposits

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

	Group at 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Term deposit at Danske Bank A/S Lithuania Branch (contract currency litas), maturity – August 2010	17,500	-	-	-
Term deposit at SEB Bankas AB (contract currency litas), maturity – November 2010	13,000	-	-	-
Term deposit at Nordea Bank Finland Plc Lithuania Branch (contract currency litas), maturity – November 2010	7,000	-	-	-
Term deposit at Nordea Bank Finland Plc Lithuania Branch (contract currency litas), maturity – October 2010	5,000	-	-	-
Term deposit at Danske Bank A/S Lithuania Branch (contract currency litas), maturity – November 2010	6,000	-	-	-
Term deposit at Swedbank AB (contract currency litas), maturity – June 2012	60	-	-	-
Term deposit at DnB Nord Bankas AB (contract currency litas), maturity – December 2016	39	-	-	-
Term deposit at SEB Bankas AB (contract currency litas), maturity – June 2010	-	-	17,000	17,000
Other term deposits	-	-	160	-
Carrying amount	**48,599**	**-**	**17,160**	**17,000**

The carrying amounts of term deposits approximate their fair values. Weighted average interest rate on the Group's term deposits with maturity exceeding three months was 2.17 per cent as at 30 June 2010.

13 Cash and cash equivalents

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

	Group at 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Cash at bank and in hand	104,537	79,722	9,286	6,866
Overnight deposit at Swedbank AB (contract currency litas)	19,489	19,489	481	481
Overnight deposit at Swedbank AB (contract currency euro)	716	716		
Term deposit at Ūkio Bankas AB (contract currency litas), maturity – September 2010	500	-	-	-
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	**125,242**	**99,927**	**54,167**	**51,347**

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 or less. The Company had no term deposits with maturity of three months or less as at 30 June 2010. Weighted average interest rate on the Group's term deposits with maturity of three months or less was 2.40 per cent as at 30 June 2010.

14 Non-current assets held for sale

On 18 June 2010, the Board of Lietuvos Energija AB passed a decision to transfer 100 per cent of shares of Interlinks UAB held by Lietuvos Energija AB to Visagino Atominė Elektrinė UAB or a company designated to perform the service and maintenance of information technologies of electricity companies and venturer's rights of Respublikinis energetikų mokymo centras VšĮ to a company designated to perform the service and maintenance of information technologies of electricity companies by selling these shares or contributing them as assets to the shares capital of these companies.

For the purpose of the financial statements, shares of Interlinks UAB and venturer's rights of Respublikinis energetikø mokymo centras VšĮ were classified as non-current assets held for sale as at 30 June 2010 (see details also in Note 32).

As at 30 June 2010, Kauno Energetikos Remontas UAB transferred property, plant and equipment with a value of LTL 4,647 thousand (31 December 2009: LTL 3,205 thousand) to the category of assets held for sale.

	Group at 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Non-current assets of Kauno Energetikos Remontas UAB	4,647	-	3,205	-
Interlinks UAB	2,075	5,653	-	-
Respublikinis energetikø mokymo centras VšĮ	1,053	-	-	-
	7,775	**5,653**	**3,205**	**-**

15 Share capital

As at 30 June 2010, the share capital of the Company was LTL 689,515,435 and 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 1.70 per share (2009: LTL 1.29). The number of shareholders as at 30 June 2010 was 5,949 (31 December 2009: 5,867).

The shareholders' structure of the Company is as follows:

Shareholders	Share capital at 30 June 2010 (LTL)	%	Share capital at 31 December 2009 (LTL)	%
Visagino Atominė Elektrinė UAB	646,103,311	93.70	-	-
Other shareholders	24,814,046	3.60	24,814,046	3.60
LEO LT, AB	18,597,522	2.70	664,700,833	96.40
State of Lithuania represented by the Ministry of Energy	556	0.00	556	0.00
Total	**689,515,435**	**100.00**	**689,515,435**	**100.00**

Visagino Atominė Elektrinė UAB is wholly owned by the State of Lithuania represented by the Lithuanian Ministry of Energy.

16 Revaluation reserve

Revaluation reserve arises from revaluation of property, plant and equipment due to the value increase.

Group	**Revaluation reserve**	**Deferred income tax**	**Net of deferred income tax**
Balance at 31 December 2008	**615,904**	**(123,181)**	**492,723**
Impairment of revaluation reserve	(21,920)	4,384	(17,536)
Loss on revaluation of property, plant and equipment	(109,509)	21,902	(87,607)
Balance at 30 June 2009	**484,475**	**(96,895)**	**387,580**
Balance at 31 December 2009	**407,259**	**(61,089)**	**346,170**
Impairment of revaluation reserve	(15,938)	2,391	(13,547)
Other adjustments	(1,029)	154	(875)
Balance at 30 June 2010	**390,292**	**(58,544)**	**331,748**

Company	**Revaluation reserve**	**Deferred income tax**	**Net of deferred income tax**
Balance at 31 December 2008	**604,038**	**(120,808)**	**483,230**
Impairment of revaluation reserve	(21,740)	4,348	(17,392)
Loss on revaluation of property, plant and equipment	(109,509)	21,902	(87,607)
Balance at 30 June 2009	**472,789**	**(94,558)**	**378,231**
Balance at 31 December 2009	**404,005**	**(60,601)**	**343,404**
Impairment of revaluation reserve	(15,879)	2,382	(13,497)
Other adjustments	(1,029)	154	(875)
Balance at 30 June 2010	**387,097**	**(58,065)**	**329,032**

17 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 30 June 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.

18 *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 investments**	**Reserve for support, tantiemes & bonuses**	**Non-current asset-related reserves**	**Other reserves**	**Total**
Balance at 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)	(58,919)	(1,518,252)
Balance at 30 June 2009	**(63,777)**	-	-	-	55	**(63,722)**
Balance at 31 December 2009	**(63,777)**	-	-	-	-	**(63,777)**
Reserves established	-	-	30	-	-	30
Balance at 30 June 2010	**(63,777)**	**-**	**30**	**-**	**-**	**(63,747)**

Company	**Reserve for share capital reduction due to transfer of fuel oil storage facilities**	**Reserve for investments**	**Reserve for support, tantiemes & bonuses**	**Non-current asset-related reserves**	**Other reserves**	**Total**
Balance at 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 at 30 June 2009	**(63,777)**	-	-	-	-	**(63,777)**
Balance at 31 December 2009	**(63,777)**	-	-	-	-	**(63,777)**
Reserves utilised	-	-	-	-	-	-
Balance at 30 June 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.

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 reserve to retained earnings.

19 *Dividends per share*

The ordinary general meeting of shareholders of LIETUVOS ENERGIJA AB held on 30 April 2010 decided to pay dividends of LTL 0.07 per share from retained earnings accumulated until 1 January 2009.

	30 June 2010
Amounts of dividends	48,266
Weighted average number of shares (units)	689,515,435
Dividends per share (Litas)	0.07

20 Borrowings

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

	Group at 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Within one year	12,485	-	14,200	13,811
Total	**12,485**	**-**	**14,200**	**13,811**

On 6 May 2010, Lietuvos Energija AB made an early repayment of the loan of LTL 13,811 thousand (EUR 4,000 thousand) to UniCredit Bank Lithuania Branch.

As at 30 June 2010, the Group's current borrowings included LTL 12,485 thousand overdraft used by Energijos Tiekimas UAB. The total amount of the overdraft is LTL 17,000 thousand. The overdraft agreement expires on 11 March 2011.

As at 31 December 2009, the Company had loans of LTL 13,811 thousand bearing a fixed interest rate. As at 31 December 2009, the Group's current borrowings also included LTL 389 thousand overdraft used by Kauno Energetikos Remontas UAB

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

As at 30 June 2010 and 31 December 2009, the carrying value of borrowings approximates their fair value.

As at 30 June 2010 and 31 December 2009, the Company and the Group had no other valid unwithdrawn loan agreements.

21 Finance lease liabilities

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

	At 30 June 2010		At 31 December 2009	
Group	**Minimum finance lease payments**	**Present value of minimum finance lease payments**	**Minimum finance lease payments**	**Present value of minimum finance lease payments**
Financial lease payments:				
Within the first year	604	577	607	532
Within second – fifth years	1,246	1,222	1,620	1,565
Minimum finance lease payments	**1,850**	**1,799**	**2,227**	**2,097**
Less: deferred interest	(51)	-	(130)	-
Present value of minimum finance lease payments	**1,799**	**1,799**	**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 30 June 2010 and 31 December 2009.

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

22 Grants

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

	Group	Company
Balance at 31 December 2008	**66,339**	**66,309**
Received during the period	-	-
Utilised during the period	(1,294)	(1,288)
Balance at 30 June 2009	**65,045**	**65,021**
Balance at 31 December 2009	**71,420**	**71,393**
Received during the period	1,064	1,064
Utilised during the period	(1,505)	(1,490)
Balance at 30 June 2010	**70,979**	**70,967**

23 Other non-current accounts payable and liabilities

	Group at 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Non-current payables for material values	4,680	4,680	-	-
Advances received from new customers	3,643	3,643	8,224	8,224
Provisions for pension payments and injury compensations	1,783	1,621	1,735	1,735
Liability related to guarantees for Nordic Energy Link	853	853	995	995
Total	**10,959**	**10,797**	**10,954**	**10,954**

* This item represents advances received for the connection of new users to the electricity networks. These advances will be recognised as income upon the provision of connection services.

Provisions 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.

24 Income tax

Income tax expense as at 30 June 2010 and 30 June 2009 comprised as follows:

	Group 2010	Company 2010	Group 2009	Company 2009
Income tax expense components				
Current income tax	21,522	13,904	(24,426)	(24,373)
Deferred income tax (benefit)	(9,060)	(7,491)	29,373	29,405
Deferred income tax adjustment	1,553	-	-	-
Income tax expense (income) for the reporting period	**14,015**	**6,413**	**(4,947)**	**(5.032)**

24 Income tax (cont'd)

Movements in deferred tax assets and liabilities during the reporting period are as follows:

Group	Revaluation of PP&E (impairment)	Bad debts	Accrued charges	Impairment of assets	Total
Deferred income tax assets					
At 1 January 2009	**245,363**	**2,064**	**1,121**	**3,117**	**251,665**
Recognised in profit or loss	6,182	(1)	6,933	(200)	12,914
Recognised in other comprehensive income	-	-	-	-	-
As at 30 June 2009	**251,545**	**2,063**	**8,054**	**2,917**	**264,579**
At 31 December 2009	**189,140**	**1,760**	**656**	**2,167**	**193,723**
Recognised in profit or loss	(4,405)	(61)	304	264	(3,898)
Recognised in other comprehensive income	-	-	-	-	-
At 30 June 2010	**184,735**	**1,699**	**960**	**2,431**	**189,825**

	Revaluation of PP&E (increase in value)	Differences in depreciation rates	Tax relief on acquisition of PP&E	Other	Total
Deferred income tax liabilities					
At 1 January 2009	**(602,201)**	**(1,730)**	**(31,911)**	**(182)**	**(636,024)**
Recognised in profit or loss	15,675	(10)	794	-	16,459
Recognised in other comprehensive income	21,902	-	-	-	21,902
As at 30 June 2009	**(564,624)**	**(1,740)**	**(31,117)**	**(182)**	**(597,663)**
At 31 December 2009	**(405,264)**	**(1,156)**	**(22,678)**	**(182)**	**(429,280)**
Recognised in profit or loss	12,336	61	584	(23)	12,958
Recognised in other comprehensive income	-	-	-	-	-
At 30 June 2010	**(392,928)**	**(1,095)**	**(22,094)**	**(205)**	**(416,322)**
Deferred income tax, net, at 31 December 2009					**(235,557)**
Deferred income tax, net, at 30 June 2010					**(226,497)**

24 Income tax (cont'd)

Company	Revaluation of PP&E (impairment)	Bad debts	Accrued charges	Impairment of assets	Total
Deferred income tax assets					
At 1 January 2009	**244,780**	**1,923**	**902**	**3,651**	**251,256**
Recognised in profit or loss	6,186	-	6,870	63	13,119
Recognised in other comprehensive income	-	-	-	-	-
As at 30 June 2009	**250,966**	**1,923**	**7,772**	**3,714**	**264,375**
At 31 December 2009	**188,818**	**1,505**	**530**	**2,471**	**193,324**
Recognised in profit or loss	(4,146)	(62)	80	4	(4,124)
Recognised in other comprehensive income	-	-	-	-	-
At 30 June 2010	**184,672**	**1,443**	**610**	**2,475**	**189,200**

	Revaluation of PP&E (increase in value)	Differences in depreciation rates	Tax relief on acquisition of PP&E	Other	Total
Deferred income tax liabilities					
At 1 January 2009	**(599,449)**	**(1,730)**	**(31,638)**	**(182)**	**(632,999)**
Recognised in profit or loss	15,521	(10)	776	-	16,287
Recognised in other comprehensive income	21,902	-	-	-	21,902
As at 30 June 2009	**(562,026)**	**(1,740)**	**(30,862)**	**(182)**	**(594,810)**
At 31 December 2009	**(402,752)**	**(1,156)**	**(22,568)**	**(182)**	**(426,658)**
Recognised in profit or loss	10,992	61	584	(22)	11,615
Recognised in other comprehensive income	-	-	-	-	-
At 30 June 2010	**(391,760)**	**(1,095)**	**(21,984)**	**(204)**	**(415,043)**
Deferred income tax, net, at 31 December 2009					**(233,334)**
Deferred income tax, net, at 30 June 2010					**(225,843)**

Deferred tax assets were offset with deferred tax liability in the Company's statement of financial position as they relate to the same fiscal authority. In the Group deferred income tax assets related to operations of subsidiaries are not offset against deferred income tax liability in the Company and are presented separately as non-current assets in the statement of financial position.

When calculating deferred income tax as at 31 December 2009 and 30 June 2010, the Company applied income tax rate of 15 per cent on those components which will be realised in 2010 and subsequent periods.

Deferred income tax to be realised within 12 months amounts to LTL 14,836 thousand (31 December 2009: LTL 11,144 thousand).

24 *Income tax (cont'd)*

As at 30 June 2010, the Group had LTL 13,509 thousand (31 December 2009: LTL 7,635 thousand) of accumulated unrealised tax losses from which no deferred tax asset was recognised.

These tax losses are carried for indefinite period.

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 30 June 2010	Company at 30 June 2010	Group at 30 June 2009	Company at 30 June 2009
Profit (loss) before income tax	**88,579**	**40,890**	**(31,347)**	**42,246**
Income tax calculated at a tax rate of 15% (2009: 20%)	13,287	6,134	(6,269)	8,449
Tax effect of income or expenses that are not subject to tax or deductable	(341)	88	1,284	(13,419)
Unrecognised deferred tax assets	877	-	-	-
Change in impairment of realisable value of deferred income tax	192	192	38	(62)
Income tax	**14,015**	**6,414**	**(4,947)**	**(5,032)**
Effective income tax rate (%)	**16**	**16**	**16**	**12**

25 *Trade payables*

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

	Group at 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Amounts payable for contractual works, other services	27,434	26,777	38,848	39,130
Debts for electricity and related services	86,190	30,044	105,181	105,181
Accrued liability for electricity	23,334	2,099	12,401	12,401
Amounts payable for material values	670	813	694	694
Carrying amount	**137,628**	**59,733**	**157,124**	**157,406**

The fair value of trade payables approximates their carrying amounts.

26 Other accounts payable and liabilities

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

	Group at 30 June 2010	Company at 30 June 2010	Group at 31 December 2009	Company at 31 December 2009
Current portion of deferred income	7,977	7,977	803	803
VAT payable to the budget	6,503	4,957	2,157	1,756
Employment-related liabilities	4,242	2,190	3,282	1,868
Vacation reserve	2,918	2,665	2,332	2,150
Accrued other charges	1,308	1,252	5,408	5,408
Dividends payable	735	735	507	507
Other accounts payable and current liabilities	177	21	3,175	35
Real estate tax payable	364	364	2,283	2,230
Provisions for claims	20	20	20	20
Natural resource tax	-	-	387	387
Deferred VAT payable	-	-	1	1
Carrying amount	**24,244**	**20,181**	**20,355**	**15,165**

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

27 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 30 June are presented below:

	Group at 30 June 2010	Company at 30 June 2010	Group at 30 June 2009	Company at 30 June 2009
Domestic sales of electricity (excluding PSO)	380,453	377,680	170,152	-
Public service obligations (PSO)	224,380	-	318,596	-
Electricity transmission service	127,898	-	115,855	-
Export of electricity	42,836	42,836	125,468	125,468
Capacity reserve	35,564	13,992	69,428	-
Other sales of electricity and related services	8,399	1,538	4,843	-
Revenue from connection of new users	402	402	314	314
Total	**819,932**	**436,448**	**804,656**	**125,782**

* The Company and the Group had accounted for LTL 15,772 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 for connection to electricity networks amounting to LTL 10,817 thousand (31 December 2009: LTL 8,224 thousand) which are reclassified to income upon the provision of connection services. During the six-month period of 2010, the Company/Group has recognised revenue of LTL 402 thousand (six-months of 2009: LTL 314 thousand) from connection of new users.

28 Segment information

In 2010, management distinguished business segments based on the reports reviewed by the Board. The Board analyses business operations by geographical areas and types of products provided. Operating profit (loss) is a profitability indicator analysed by management.

The Group has distinguished the following business segments (activities): activities of transmission system operator consisting of five individual business segments as explained below, transmission trading and electricity export/import and other activities. The following additional business segments are 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 the 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 service of the transmission system operator 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 of electricity generated by Kruonis Pumped Storage Power Plant was allocated to the segment of sales of capacity reserve services and to the activities of transmission trading and electricity export. The major portion of electricity generated by Kaunas Hydro Power Plant was allocated to the activity of transmission trading.

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 and supply of electricity.

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.

28 Segment information (cont'd)

The Group's information on segments as at 30 June 2010 and for the period then ended is presented in the table below:

2010	Business segments generating revenue from external sales									Total
	Trans-mission system operator	Incuding					Trans-mission trading (market operator)	Export / import	Other activities	
		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				
Total segment revenue	434,764	127,898	38,121	35,564	224,380	8,801	342,331	42,836	18,923	838,855
Revenue from external sales	434,764	127,898	38,121	35,564	224,380	8,801	342,331	42,836	18,923	838,855
Operating profit (loss)	11,629	5,121	2,059	4,324	(4,118)	4,243	57,853	11,741	6,522	87,745
Depreciation and amortisation expense	65,633	61,125	-	4,508	-	-	10,876	1,116	5,125	82,749
Loss on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-
Net finance income (expenses)										834
Profit (loss) before income tax										88,579
Income tax										(14,015)
Discontinued operations										(3,429)
Profit (loss) for the period										71,135
Loss on revaluation of property, plant and equipment recognised in equity	-	-	-	-	-	-	-	-	-	-

28 *Segment information (cont'd)*

The Group's information on segments as at 30 June 2009 and for the period then ended is presented in the table below:

2009	Business segments generating revenue from external sales									Total
	Trans-mission system operator	Incuding					Trans-mission trading (market operator)	Export / import	Other activities	
		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	**524,182**	**115,855**	**15,179**	**69,428**	**318,596**	**5,124**	**155,006**	**125,468**	**22,705**	**827,361**
Operating profit (loss)	**(68,864)**	**(42,193)**	**583**	**1,016**	**(33,349)**	**5,079**	**1,303**	**35,298**	**(1,394)**	**(33,657)**
Depreciation and amortisation expense	79,555	72,109	-	7,444	1	1	2,305	671	5,444	87,975
Loss on revaluation of property, plant and equipment	50,035	50,033	-	-	1	1	1,623	473	3,152	55,283
Net finance income (expenses)										**2,310**
Profit (loss) before income tax										**(31,347)**
Income tax										**4,947**
Profit (loss) for the period										**(26,400)**
Loss on revaluation of property, plant and equipment recognised in equity	99,028	99,026		-	1	1	2,869	835	6,777	109,509

28 Segment information (cont'd)

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

As at 30 June 2010 and 30 June 2009, the Group's and the Company's revenue according to geographical segments was as follows:

Country	Group at 30 June 2010	Company at 30 June 2010	Group at 30 June 2009	Company at 30 June 2009
Lithuania	789,994	470,812	715,990	32,127
Finland	42,689	42,689	34,150	31,892
Estonia	3,274	1,460	63,307	62,931
Russia	1,841	-	-	-
Latvia	648	226	12,416	12,416
Germany	409	-	1,498	-
Total	**838,855**	**515,187**	**827,361**	**139,366**

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

The Group's revenue from a single external customer comprise LTL 631,682 thousand (2009 – LTL 559,591 thousand). The Company's revenue from single external customer comprise LTL 293,754 thousand (2009 – LTL 559,591 thousand).

29 Other operating income

As at 30 June 2010 and 30 June 2009, the Group's and the Company's other operating income included as follows:

	Group at 30 June 2010	Company at 30 June 2010	Group at 30 June 2009	Company at 30 June 2009
IT services	10,891	22,024	8,541	8,541
Repairs and other services	6,051	-	8,613	7
Income from lease of assets	965	1,272	4,252	4,061
Other income	576	2,350	902	732
Health, catering and recreation services	266	270	225	225
Design works	174	-	147	
Lease and maintenance of transmission network	-	52,823		
Gain on disposal of property, plant and equipment	-	-	25	25
Total income from other activities	**18,923**	**78,739**	**22,705**	**13,584**

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 30 June 2010 and 30 June 2009 is presented in the table below:

	At 30 June 2010	At 30 June 2009
Total income from repair services from the commencement date of the project	20,385	7,417
Total expenses from repair services from the commencement date of the project	17,554	8,216
Trade receivables (included in accounts receivable)	6,320	8,223
Advance amounts received	180	409

On 31 December 2009, Lietuvos Energija AB and LITGRID UAB concluded the Agreement between the system owner and the transmission system operator which conveys to LITGRID UAB a right to temporarily possess and use the transmission network. The validity term of the Agreement is 10 years. Future lease income under the Agreement (based on 2010 rent fee, which is reviewed yearly) is as follows:

	At 30 June 2010
Within 1 year	48,025
Between 1 year to 5 years	192,100
After 5 years	216,113
Total	**456,238**

30 Finance income

As at 30 June 2010 and 30 June 2009, the Group's and the Company's finance income included as follows:

	Group at 30 June 2010	Company at 30 June 2010	Group at 30 June 2009	Company at 30 June 2009
Interest income	1,873	1,666	3,311	3,296
Other income	260	238	148	144
Foreign currency exchange gain	2	1	1	1
Dividends received	-	300	-	-
Total finance income	**2,135**	**2,205**	**3,460**	**3,441**

31 Other finance costs

As at 30 June 2010 and 30 June 2009, the Group's and the Company's other finance costs included as follows:

	Group at 30 June 2010	Company at 30 June 2010	Group at 30 June 2009	Company at 30 June 2009
Other expenses	(380)	(337)	(58)	(1)
Interest expense	(283)	(242)	(914)	(848)
Foreign currency exchange loss	(16)	(15)	(20)	(9)
Loan service costs	(6)	-	(20)	(20)
Total finance costs	**(685)**	**(594)**	**(1,012)**	**(878)**

32 Discontinued operations

On 1 January 2010, the subsidiary LITGRID UAB started to operate as the transmission system operator. Therefore, for the purpose of the Company's statement of comprehensive income for the period ended 30 June 2010 the comparative figures for 2009 were presented after eliminating revenue and expenses related to activities transferred to the subsidiary. In addition, the 2009 Company's discontinued operations include trade in electriucity operations (market operator), as from 2010 the Company carries different type of trading in electiricty operations, i.e. trading is carried out through Lithuanian power exchange system. However, in 2010 the Company remains the owner of the transmission system network. The Company and LITGRID AB has signed an agreement based on which the temporary right to use high voltage electricity transmission lines and other related equipment is transferred to Litgrid AB. Based on the same agreement, transmission system maintenance services are provided by the Company, therefore the incurred costs during first half year of 2010 are included in continued activities, while comparatives in 2009 are allocated to the discontinued operations. The 2009 loss on discontinued operations was incurred mainly due to property, plant and equipment revaluation.

On 18 June 2010, the Board of Lietuvos Energija AB passed a decision to transfer 100 per cent of shares of Interlinks UAB held by Lietuvos Energija AB to Visagino Atominė Elektrinė UAB or a company designated to perform the service and maintenance of information technologies of electricity companies and venturer's rights of Respublikinis energetikų mokymo centras VšĮ to a company designated to perform the service and maintenance of information technologies of electricity companies by selling these shares or contributing them as assets to the shares capital of these companies.

For the purpose of the Group's statement of comprehensive income for the period ended 30 June 2010, results of operations of Interlinks UAB and Respublikinis energetikų mokymo centras VšĮ were stated at a net value (in 2009 they were allocated to other activities segment).

32 Discontinued operations (cont'd)

	Group at 30 June 2010	Company at 30 June 2010	Group at 30 June 2009	Company at 30 June 2009
Sales revenue	1,444	-	-	678,874
Expenses	(4,926)	-	-	(748,859)
Operating profit	(3,482)	-	-	(69,985)
Income tax	53	-	-	-
Net profit (loss) from discontinued operations	**(3,429)**	**-**	**-**	**(69,985)**
Net profit (loss) from discontinued operations attributable to the Company's shareholders	(3,429)	-	-	(69,985)
Weighted average number of shares (units)	689,515,435	-	-	689,515,435
Basic and diluted earnings (deficit) per share (in LTL) from discontinued operations	(0.005)	-	-	(0.10)

For the purpose of the Group's statement of financial position, assets and liabilities of Interlinks UAB and Respublikinis energetikų mokymo centras VšĮ were recorded as non-current assets held for sale and liabilities related to assets held for sale.

	Group at 30 June 2010	Company at 30 June 2010
Assets held for sale		
Intangible assets	19	-
Property, plant and equipment	300	-
Inventories	69	-
Accounts receivable	27	-
Cash and cash equivalents	2,291	-
Other assets	422	-
Total assets	**3,128**	**-**
Liabilities related to assets held for sale		
Trade payables	115	-
Advance amounts received	15	-
Other accounts payable and liabilities	5,205	-
Total liabilities	**5,335**	**-**

33 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 30 June 2010 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Disposals
Entities controlled by the Lithuanian Ministries of Economy and Energy	44,660	150,554	228,566	646,803
Visagino Atominė Elektrinė UAB	-	93	222	380
Associates of the Group	-	669	422	2
Total	**44,660**	**151,316**	**229,210**	**647,185**

The Company's transactions with related parties conducted during 2010 and the balances arising on these transactions as at 30 June 2010 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Disposals
Visagino Atominė Elektrinė UAB	-	93	222	380
Subsidiaries of the Company	26,626	36,960	194,976	163,024
Entities controlled by the Lithuanian Ministries of Economy and Energy	1,012	88,655	2,985	294,755
Associates of the Company	-	669	422	2
Total	**27,638**	**126,377**	**198,605**	**458,161**

The Group's transactions with related parties during 2009 and the balances arising on these transactions as at 30 June 2009 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Disposals
Entities controlled by the Lithuanian Ministries of Economy and Energy (including LEO LT, AB and its subsidiaries)	60,496	126,341	374,363	604,330
Associates of the Group	-	-	7,790	543
Total	**60,496**	**126,341**	**382,153**	**604,873**

The Company's transactions with related parties conducted during 2009 and the balances arising on these transactions as at 30 June 2009 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Disposals
Entities controlled by the Lithuanian Ministries of Economy and Energy (including LEO LT, AB and its subsidiaries)	60,376	125,902	374,308	603,902
Subsidiaries of the Company	1,582	1,528	2,300	95
Visagino Atominė Elektrinė UAB	-	42	3	217
Associates of the Company	-	-	7,790	543
Total	**61,958**	**127,472**	**384,401**	**604,757**

33 Related-party transactions (cont'd)

The major related party sale and purchase transactions in 2010 ans 2009 represent transactions with the entities controlled by the Ministry of Energy of the Republic of Lithuania Lietuvos Elektrinė AB (Lithuanian Power Plant), Rytų Skirstomieji Tinklai AB, VST AB. The Group purchases from these companies electricity, capacity, and PSO services. Sales transactions mainly included sales of electricity, capacity, electricity transmission services and PSO services.

Transactions with state entities other than those controlled by the Ministry of Energy include regular business transactions conducted at arm's length basis and therefore, they 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 guarantees issued to an associate and subsidiaries 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 30 June 2010	Company at 30 June 2010	Group at 30 June 2009	Company at 30 June 2009
Employment-related payments	1,837	867	1,005	554
Termination benefits	18		370	370
Other material amounts				
Number of key management personnel	33	10	20	5

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

34 Basic and diluted earnings per share (in LTL)

In 2010 and 2009, basic and diluted earnings per share were as follows:

	At 30 June 2010	At 30 June 2009
Net profit (loss) attributable to the Groups shareholders	71,135	(26,400)
Weighted average number of shares (units)	689,515	689,515
Basic and diluted earnings (deficit) per share (in LTL)	0.10	(0.04)
Net profit (loss) from continuing operations attributable to the Group's shareholders	74,564	(26,400)
Weighted average number of shares (units)	689,515	689,515
Basic and diluted earnings (deficit) per share (in LTL) from continuing operations	0.11	(0.04)

35 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 30 June 2010**	**Company at 30 June 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Trade receivables	175,371	80,969	170,342	164,157
Other accounts receivable	30,983	47,103	77,568	78,014
Term deposits	48,599	-	17,160	17,000
Cash and cash equivalents	125,242	99,927	54,167	51,347
Loans and receivables	**380,195**	**227,999**	**319,237**	**310,518**
Other financial assets	-	-	-	-
Held-to-maturity investments	-	-	-	-
Total	**380,195**	**227,999**	**319,237**	**310,518**

Financial liabilities	**Group at 30 June 2010**	**Company at 30 June 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Borrowings	12,485	-	14,200	13,811
Finance lease liabilities	1,799	-	2,097	-
Trade payables	137,628	59,733	157,124	157,406
Other accounts payable and liabilities	5,154	2,946	6,964	2,410
Financial liabilities carried at amortised cost	**157,066**	**62,679**	**180,385**	**173,627**

Credit risk

As at 30 June 2010 and 31 December 2009, credit risk was related to the following items:

	Group at 30 June 2010	**Company at 30 June 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Financial assets	380,195	227,999	319,237	310,518

The maximum exposure to credit risk is represented by the carrying amount of each financial asset and the total amount of the guarantees issued to the associate entity and subsidiary (Note 36).

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 30 June 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 a significant credit risk concentration, because credit risks are shared among 10 main customers, which account for approximately 96 % 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.

The Group and the Company hold cash balances and term deposits in accounts of the major Lithuanian banks assigned with higher than A external credit rating by the rating agency Fitch Ratings.

35 Financial risk management (cont'd)

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 the 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 30 June 2010 were 1.98 and 1.94 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 30 June 2010 were 2.62 and 2.59 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
As at 30 June 2010				
Loans and bonds	12,485	-	-	-
Finance lease liabilities	577	614	608	-
Trade and other payables	142,782	399	1,161	3,773
As at 31 December 2009				
Loans and bonds	14,200	-	-	-
Finance lease liabilities	532	503	1,062	-
Trade and other payables	164,088	-	-	-

Company	Within the first year	Within the second year	Within third – fifth years	After five years
As at 30 June 2010				
Loans and bonds	-	-	-	-
Trade and other payables	62,679	399	1,161	3,773
As at 31 December 2009				
Loans and bonds	13,811	-	-	-
Trade and other payables	159,816	-	-	-

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.

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.

35 Financial risk management (cont'd)

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.

36 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 accounted for these guarantees at fair value: the carrying amount of the guarantee obligation reported in the balance sheet as at 30 June 2010 was LTL 853 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. On 1 January 2010, the Company provided to BALTPOOL UAB a bank guarantee of LTL 20,000 thousand. On 30 June 2010, the Company reduced a monetary deposit provided to BALTPOOL UAB to LTL 2,000 thousand. As at 30 June 2010, bank guarantees provided by the Company and the Group to BALTPOOL UAB amounted to LTL 5,400 thousand and monetary deposits amounted to LTL 2,000 thousand.

As at 30 June 2010, the support letter was submitted by the Company to Danske Bank A/S Lithuania Branch (hereinafter "the Bank") in view of a guarantee of LTL 2,500 thousand and an overdraft of LTL 17,000 thousand granted to Energijos Tiekimas UAB by the Bank.

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 not accounted for in the statement of financial position. The obligations to this supplier was recalculated by the Company based on the actual volumes of the electricity supplied in 2008 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, Vilniaus Energija UAB filed a revised claim for the total amount of LTL 1,494 thousand specifying that Lietuvos Energija AB did not pay for the PSO energy supplied in 2009 as well. On 29 June 2010, Vilnius County Court passed a ruling rejecting the claim of Vilniaus Energija UAB in its entirety.

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 2010, the court passed a ruling whereby this request was satisfied and no investigation into the claim was conducted.

Kauno Termofikacinė Elektrinė UAB filed a claim against the Company concerning PSO service fees paid for 2008. In the opinion of Lietuvos Energija AB, the fee for PSO service for December 2008 due to unsupplied volume of the sponsored production level should be reduced from LTL 4,005 thousand to LTL 3,457 thousand. Kauno Termofikacinė Elektrinė UAB does not agree with this position of the Company. The claim amount is LTL 653 thousand. Currently, the case is under investigation by the court of the first instance. With reference to the surrounding circumstances of the dispute, available evidence, arguments of Lietuvos Energija AB and explanations concerning the claims presented by the other party to the dispute, the dispute might be settled in favour of Lietuvos Energija AB.

On 23 June 2010, the plaintiffs, the association Lažybų Organizatorių Aljansas (Union of Betting Organisers), TopSport UAB and Orakulas UAB, filed a claim with Vilnius County Court for the protection of violated rights, discontinuance of illegal actions and compensation of damages. The claim amount is LTL 1,096 thousand. The Company is treated as a third party to the case. The court's ruling imposed provisional remedies that obliged the Company to restrict the Internet access. The Company has brought a request to the court asking to ascertain whether provisional remedies can be imposed on company together with a complaint in relation to actions of the bailiff on the grounds on which the Company was instructed to implement provisional remedies. In case a decision unfavourable to the Company is passed, an obligation might be imposed on the Company to install technical devices preliminary estimated at more than LTL 1 million.

37 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. No changes were made concerning risk management objectives, policies or processes during the periods ended 30 June 2010 and 31 December 2009.

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 30 June 2010 and 31 December 2009, the Group and the Company were not in breach of the above mentioned requirement.

38 Post-balance-sheet events

Regarding transfer of Lietuvos Energija AB liabilities and shares owned by LEO LT, AB controlled by the Government of the Republic of Lithuania

In the performance of the liquidation procedure of LEO LT, AB (code 301732248, address of head-office Žvejų g. 14, Vilnius, Republic of Lithuania) controlled by the Government of the Republic of Lithuania and implementing the plan of the energy sector reorganisation, on July 12, 2010, Visagino Atominė Elektrinė UAB fully controlled by the Republic of Lithuania, acquired from LEO LT, AB 18,597,522 (eighteen million five hundred ninety seven thousand five hundred and twenty two) ordinary registered shares of the joint-stock company Lietuvos Energija, which had been left under the ownership of LEO LT, AB, controlled by the Government of the Republic of Lithuania, with the nominal value of each share equal to 1 (one) litas, which is equal to approx. 2.70% of all shares of the joint-stock company Lietuvos Energija AB and exceeded the limit of 95 per cent. The shares were acquired for the price, equal to weighted average of six-month-trade at the stock exchange (LTL 38,970,177). Visagino Atominė Elektrinė UAB also took over from the LEO LT, AB, which is under liquidation, the remaining liabilities (LTL 26,779,705.91) under the loan agreement of December 3, 2009, made between the joint-stock company Lietuvos Energija and LEO LT, AB.
Currently, Visagino Atominė Elektrinė UAB holds a total of 664,700,833 (six hundred sixty four million seven hundred thousand eight hundred and thirty three) ordinary nominal shares of the joint-stock company Lietuvos Energija, which accounts for 96.40 per cent of all shares of the joint-stock company Lietuvos Energija.

Regarding the establishment of a subsidairy of Lietuvos Energija AB and becoming a participant and (or) founder of other companies

An extraordinary general shareholders meeting of the Company held on 21 July 2010 approved of the decision of the Company's Board of 18 June 2010 regarding the establishment of a subsidiary designated to perform the commercial activity in the field of information technologies and telecommunications by endowing the Board of Lietuvos Energija AB with a right for this purpose to invest non-current assets of Lietuvos Energija AB.

An extraordinary general shareholders meeting of the Company held on 21 July 2010 approved of the decision of the Company's Board of 18 June 2010 regarding becoming of a participant in Elektros Tinklo Paslaugos UAB and Tetas UAB, or becoming a founder and (or) participant in the electricity transmission grid maintenance company, established on the basis of the aforementioned companies, by endowing the Board of Lietuvos Energija AB with a right for this purpose to invest non-current assets of Lietuvos Energija AB.

An extraordinary general shareholders meeting of the Company held on 21 July 2010 approved of the decision of the Company's Board of 18 June 2010 regarding becoming of a participant and (or) founder of a company designated to perform service and maintenance of information technologies of electricity companies by endowing the Board of Lietuvos Energija AB with a right for this purpose to invest non-current assets of Lietuvos Energija AB.

An extraordinary general shareholders meeting of the Company held on 21 July 2010 decided to endow the Board of Lietuvos Energija AB with a right to invest into its subsidiary Kruonio Investicijos UAB the non-current assets of Lietuvos Energija AB.

Regarding increasing of authorised capital of Lietuvos Energija AB

An extraordinary general shareholders meeting of the Company held on 21 July 2010 passed a decision regarding the increase of the authorised share capital of the Company from LTL 689,515,435 (six hundred eighty nine million, five hundred fifteen thousand, four hundred and thirty five litas) to LTL 1,004,973,044 (one billion, four million, nine hundred seventy three thousand and forty four litas), by issuing 315,457,609 (three hundred fifteen million, four hundred fifty seven thousand, six hundred and nine) ordinary registered shares with the nominal value of each share equal to LTL 1 (one litas). Subsequent to issuing of the new shares the authorised capital of the Company shall be divided into 1,004,973,044 (one billion, four million, nine hundred seventy three thousand and forty four) ordinary registered shares, with the nominal value of each share equal to LTL 1 (one litas).

The price of one share issue is equal to LTL 2.07 (two litas and seven cents), the total price of all shares issue of the Company is equal to LTL 652,997,250.63 (six hundred fifty two million, nine hundred ninety seven thousand, two hundred fifty litas and sixty three cents).

On 12 August 2010, the Securities Commission of the Republic of Lithuania approved a prospectus of shares issue of the Company for current shareholders and inclusion of the signed shares into the trade at the regulated market (hereinafter "the Prospectus"). The number of the ordinary registered shares to be issued is 315,457,609, general nominal value of the issue is LTL 315,457,609, nominal value of one share is LTL 1. The price of one share issue is LTL 2.07.

On 17 August 2010, the Company registered a proposal of the Company to acquire 315,457,609 of the Company's ordinary registered shares to-be-issued by using a priority right at the Register of Legal Entities. The price of one share issue is LTL 2.07 (the nominal value of one share is 1 litas), the total price of the shares to-be-issued is LTL 652,997,250.63.

On 18 August 2010, the Company acquired 133,065,125 ordinary registered shares of the joint-stock company LIETUVOS ELEKTRINĖ, which comprises 91.27 per cent of all shares of the joint-stock company LIETUVOS ELEKTRINĖ. With these shares of LIETUVOS ELEKTRINĖ Visagino Atominė Elektrinė UAB paid the increased authorized capital of the joint-stock company LIETUVOS ENERGIJA.

Regarding reorganisation of a subsidairy of the Company from a limited liability company (UAB) into joint-stock company (AB)

On 21 July 2010, the Lithuanian transmission system operator LITGRID AB, a subsidiary of the Company, was reorganised from a limited liability company into a joint-stock company. The name of the company from now on is LITGRID AB, legal form is a joint-stock company.

Regarding the construction of a new unit of Kruonis Pumped Storage Plant

Under the resolution of the Government of the Republic of Lithuania enforced on 19 August 2010, the Plan for Implementation of the National Energy Strategy 2008 - 2012 was amended with a new measure by including the installation of a new fifth hydro unit of Kruonis Pumped Storage Plant. For the implementation of this measure is responsible Lietuvos Energija AB.

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

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2010
All amounts in LTL thousand, unless otherwise stated

	Group April–June 2010	Company April–June 2010	Group April–June 2009	Company April– June 2009
Revenue				
Sales revenue	394,833	192,077	395,712	49,907
Other operating income	9,502	65,922	11,531	6,694
	404,335	**257,999**	**407,243**	**56,600**
Operating expenses				
Purchase of electricity or related services	(259,037)	(178,698)	(250,002)	(34,874)
Purchase of capacity reserve	(12,044)	-	(25,433)	-
Transit expenses	(2,837)	-	(595)	-
Depreciation and amortisation	(41,306)	(40,752)	(44,203)	38,022
Wages and related expenses	(12,999)	(10,023)	(15,188)	10,607
Repair and maintenance expenses	(2,762)	(2,948)	(2,807)	1,499
Loss on revaluation of property, plant and equipment	-	-	(55,283)	(2,776)
Other expenses	(11,375)	(10,353)	(8,728)	11,947
Total operating expenses	**(342,360)**	**(242,774)**	**(402,239)**	**24,425**
OPERATING PROFIT (LOSS)	**61,975**	**15,225**	**5,004**	**81,025**
Finance income	1,080	1,177	1,927	1,933
Finance (costs):				
(Increase) decrease in value of investments, share of results of activities of associates and joint ventures	(616)	28	897	898
Other finance (costs)	(473)	(415)	1,068	(688)
	(9)	790	3,892	2,143
PROFIT (LOSS) BEFORE INCOME TAX	**61,966**	**16,015**	**8,896**	**83,168**
Current year income tax expense	(14,793)	(7,923)	(12,634)	(13,259)
Deferred income tax income (expense)	3,653	3,639	6,967	6,982
	(11,140)	(4,284)	(5,667)	(6,277)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	**50,826**	**11,731**	**3,229**	**76,891**
DISCONTINUED OPERATIONS				
Profit (loss) for the period from discontinued operations, net of income tax	(3,429)	-	-	(72,582)
PROFIT (LOSS) FOR THE PERIOD	**47,397**	**11,731**	**3,229**	**4,310**
Other comprehensive income				
Loss on revaluation of property, plant and equipment	-	-	(109,509)	(109,509)
Deferred income tax related to loss on revaluation of property, plant and equipment	-	-	21,902	21,902
Other comprehensive income, net of deferred income tax	-	-	(87,607)	(87,607)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**47,397**	**11,731**	**(84,378)**	**(83,297)**
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	47,397	11,731	3,229	4,310
Minority interest	-	-	-	-
	47,397	**11,731**	**3,229**	**4,310**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	47,397	11,731	(84,378)	(83,297)
Minority interest	-	-	-	-
	47,397	**11,731**	**(84,378)**	**(83,297)**
Basic and diluted earnings (deficit) per share (in LTL)	**0.07**		**0.00**	

Aloyzas Koryzna
General Director

Darius Grondskis
Director of Administration

Tatjana Didikienė
Chief Financier