LIETUVOS ENERGIJA

AKCINĖ BENDROVĖ LIETUVOS ENERGIJA

22 November 2010 Nr.SD-8841

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, Administration Director 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 September 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	Administration Director
Tatjana Didikienė	Chief Financier

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Juridinių asmenų registro tvarkytoja valstybės įmonė Registrų centras, V. Kudirkos g. 18, LT-03105 Vilnius

LIETUVOS ENERGIJA AB

CONSOLIDATED AND COMPANY'S
INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2010 (unaudited)

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The interim financial statements were approved by the General Director, Administration Director and Chief Financier on 22 November 2010.

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

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

ASSETS	Note	Group as at 30 September 2010	Company as at 30 September 2010	Group as at 31 December 2009	Company as at 31 December 2009
Non-current assets:					
Intangible assets	4	14,787	1,758	2,455	2,360
Property, plant and equipment	5	4,894,641	2,759,758	2,811,945	2,779,451
Prepayments for property, plant, equipment		102,865	9,405	9,648	9,648
Investment property	6	18,738	38,414	17,260	37,031
Investments in subsidiaries	7	-	600,075	-	19,564
Investments in associates and joint ventures	7	25,958	24,707	25,837	24,853
Accounts receivable		1,250	451	510	510
Other financial assets		5	-	127	-
Total non-current assets		**5,058,244**	**3,434,568**	**2,867,782**	**2,873,417**
Current assets:					
Inventories	8	140,728	3,023	3,819	3,245
Prepayments		4,778	9,782	8,491	8,412
Trade receivables	9	197,260	77,316	170,342	164,157
Other accounts receivable	10	38,572	50,012	77,568	78,014
Term deposits	12	47,099	-	17,160	17,000
Cash and cash equivalents	13	190,387	125,112	54,167	51,347
		618,824	**265,245**	**331,547**	**322,175**
Non-current assets classified as held for sale	14,32	7,055	6,067	3,205	-
Total current assets		**5,684,123**	**3,705,880**	**334,752**	**322,175**
TOTAL ASSETS		**5,684,123**	**3,705,880**	**3,202,534**	**3,195,592**

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

EQUITY AND LIABILITIES	Note	Group as at 30 September 2010	Company as at 30 September 2010	Group as at 31 December 2009	Company as at 31 December 2009
Capital and reserves:					
Share capital	15	993,614	993,614	689,515	689,515
Share premium		325,389	325,389	3	3
Revaluation reserve	16	325,058	322,345	346,170	343,404
Legal reserve	17	82,301	68,952	68,995	68,952
Other reserves	18	649,569	(63,777)	(63,777)	(63,777)
Retained earnings (deficit)		1,300,865	1,639,225	1,614,958	1,621,740
Equity attributable to the shareholders of the parent company		**3,676,796**	**3,285,748**	**2,655,864**	**2,659,837**
Minority interest		89,706			
Total equity		**3,766,502**	**3,285,748**	**2,655,864**	**2,659,837**
Non-current liabilities:					
Borrowings		356,101	-	-	-
Finance lease liabilities	21	1,073	-	1,565	-
Grants	22	917,057	70,304	71,420	71,393
Deferred income	27	15,631	15,631	16,173	16,173
Other non-current accounts payable and liabilities	23	20,374	20,178	10,954	10,954
Deferred income tax liabilities	24	335,943	223,799	235,557	233,334
Total non-current liabilities		**1,646,179**	**329,912**	**335,669**	**331,854**
Current liabilities:					
Borrowings	20	36,297	-	14,200	13,811
Finance lease liabilities	21	578	-	532	-
Trade payables	25	137,827	66,437	157,124	157,406
Advance amounts received		3,018	2,352	2,285	1,061
Income tax payable		20,109	8,689	16,505	16,458
Provisions		51,268	-	-	-
Other accounts payable and liabilities	26	21,387	12,742	20,355	15,165
		270,484	**90,220**	**211,001**	**203,901**
Liabilities related to assets classified as held for sale	14, 32	958	-	-	-
Total current liabilities		**271,442**	**90,220**	**211,001**	**203,901**
Total liabilities		**1,917,621**	**420,132**	**546,670**	**535,755**
TOTAL EQUITY AND LIABILITIES		**5,684,123**	**3,705,880**	**3,202,534**	**3,195,592**

LIETUVOS ENERGIJA AB
Company code 220551550, Elektrinės g. 21, LT-26108 Elektrėnai

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

	Note	Group January–September 2010	Company January–September 2010	Group January–September 2009	Company January–September 2009
Revenue					
Sales revenue	27	1,271,187	685,697	1,129,268	189,636
Other operating income	29	29,368	118,440	34,182	20,200
		1,300,555	**804,137**	**1,163,450**	**209,836**
Operating expenses					
Purchase of electricity or related services		(876,899)	(572,321)	(750,365)	(131,536)
Purchase of capacity reserve		(42,728)	-	(84,477)	-
Transit expenses		(10,051)	-	(2,454)	-
Gas expenses		(35,639)	-	-	-
Depreciation and amortisation		(126,991)	(122,647)	(133,081)	(8,127)
Wages and related expenses		(43,859)	(29,736)	(46,253)	(2,982)
Repair and maintenance expenses		(7,507)	(7,390)	(8,036)	(549)
Loss on revaluation of property, plant and equipment		-	-	(59,552)	(3,738)
Other expenses		(64,417)	(29,241)	(36,517)	(6,255)
Total operating expenses		**(1,208,091)**	**(761,335)**	**(1,120,735)**	**(153,187)**
OPERATING PROFIT (LOSS)		**92,464**	**42,802**	**42,715**	**56,649**
Finance income	30	3,270	2,656	6,045	6,058
Finance (costs):					
(Increase) decrease in value of investments, share of results of activities of associates and joint ventures		267	-	(138)	(138)
Other finance (costs)	31	(1,371)	(587)	(1,470)	(1,318)
		2,166	2,069	4,437	4,602
PROFIT (LOSS) BEFORE INCOME TAX		**94,630**	**44,871**	**47,152**	**61,251**
Current year income tax expense	24	(25,899)	(10,455)	(30,861)	(30,804)
Deferred income tax income (expense)	24	12,679	9,535	20,249	20,334
		(13,220)	(920)	(10,612)	(10,470)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**81,410**	**43,951**	**36,540**	**50,781**
DISCONTINUED OPERATIONS					
Profit (loss) for the period from discontinued operations, net of income tax	32	(5,695)	-	-	(9,903)
PROFIT (LOSS) FOR THE PERIOD		**75,715**	**43,951**	**36,540**	**40,878**
Other comprehensive income					
Loss on revaluation of property, plant and equipment	5	-	-	(114,901)	(114,901)
Deferred income tax related to loss on revaluation of property, plant and equipment		-	-	22,980	22,980
Other comprehensive income, net of deferred income tax		-	-	(91,921)	(91,921)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**75,715**	**43,951**	**(55,381)**	**(51,043)**
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		75,715	43,951	36,540	40,878
Minority interest					
		75,715	**43,951**	**36,540**	**40,878**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		75,715	43,951	(55,381)	(51,043)
Minority interest					
		75,715	**43,951**	**(55,381)**	**(51,043)**
Basic and diluted earnings (deficit) per share (in LTL)		**0.11**		**0.05**	

LIETUVOS ENERGIJA AB
Company code 220551550, Elektrinės g. 21, LT-26108 Elektrėnai

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

	Note	Group July–September 2010	Company July–September 2010	Group July–September 2009	Company July–September 2009
Revenue					
Sales revenue	27	451,255	249,249	324,612	63,854
Other operating income	29	10,445	39,701	11,477	6,616
		461,700	**288,950**	**336,089**	**70,470**
Operating expenses					
Purchase of electricity or related services		(295,421)	(222,172)	(150,624)	(45,412)
Purchase of capacity reserve		(9,303)	-	53,307	-
Transit expenses		(38,169)	-	(82,698)	-
Gas expenses		(10,051)	-	(2,454)	-
Depreciation and amortisation		(44,242)	(41,102)	(45,228)	(3,111)
Wages and related expenses		(15,743)	(9,231)	(13,272)	(1,086)
Repair and maintenance expenses		(3,506)	(3,124)	(3,438)	(246)
Loss on revaluation of property, plant and equipment		-	-	(4,269)	(962)
Other expenses		(40,546)	(9,770)	(11,041)	(2,825)
Total operating expenses		**(456,981)**	**(285,399)**	**(259,717)**	**(53,642)**
OPERATING PROFIT (LOSS)		**4,719**	**3,551**	**76,372**	**16,828**
Finance income	30	1,135	451	2,585	2,617
Finance (costs):		-	-	-	-
(Increase) decrease in value of investments, share of results of activities of associates and joint ventures		883	(28)	-	-
Other finance (costs)	31	(686)	7	(458)	(440)
		1,332	430	2,127	2,177
PROFIT (LOSS) BEFORE INCOME TAX		**6,051**	**3,981**	**78,499**	**19,005**
Current year income tax expense	24	(4,377)	3,449	(6,435)	(6,431)
Deferred income tax income (expense)	24	5,172	2,044	(9,124)	(9,071)
		795	5,493	(15,559)	(15,502)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**6,846**	**9,474**	**62,940**	**3,503**
DISCONTINUED OPERATIONS					
Profit (loss) for the period from discontinued operations, net of income tax	32	(2,266)	-	-	60,082
PROFIT (LOSS) FOR THE PERIOD		**4,580**	**9,474**	**62,940**	**63,585**
Other comprehensive income					
Loss on revaluation of property, plant and equipment	5	-	-	(5,392)	(5,392)
Deferred income tax related to loss on revaluation of property, plant and equipment		-	-	1,078	1,078
Other comprehensive income, net of deferred income tax		-	-	(4,314)	(4,314)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**4,580**	**9,474**	**58,626**	**59,271**
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		4,580	9,474	62,940	63,585
Minority interest		-	-	-	-
		4,580	**9,474**	**62,940**	**63,585**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		4,580	9,474	58,626	59,271
Minority interest		-	-	-	-
		4,580	**9,474**	**62,940**	**63,585**
Basic and diluted earnings (deficit) per share (in LTL)		**0.01**		**0.09**	

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 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)**	**2,689,730**	**1**	**2,689,731**
Depreciation of revaluation reserve	16	-	-	(25,970)	-	-	25,970	-	-	-	-
Other transfers to/from the reserves		-	-	(239)	(1,800)	(1,518,251)	1,520,276	18	1	(1)	-
Comprehensive income		-	-	(91,921)	-	-	36,540	-	(55,381)		(55,381)
Balance at 30 September 2009		**689,515**	**3**	**374,593**	**68,994**	**(63,721)**	**1,564,966**	**-**	**2,634,350**	**-**	**2,634,350**
Balance at 31 December 2009		**689,515**	**3**	**346,170**	**68,995**	**(63,777)**	**1,614,958**	**-**	**2,655,864**	**-**	**2,655,864**
Proceeds from share capital issued		304,099	325,386	-	-	-	-	-	629,485	-	629,485
Acquisition of subsidiary		-	-	-	13,306	713,316	(362,624)	-	363,999	89,706	453,705
Depreciation of revaluation reserve	16	-	-	(20,237)	-	-	20,237	-	-	-	-
Dividends paid		-	-	-	-	-	(48,266)	-	(48,266)	-	(48,266)
Adjustment to previous year		-	-	(875)	-	-	875	-	-	-	-
Other transfers to/from the reserves		-	-	-	-	30	(30)	-	-	-	-
Comprehensive income		-	-	-	-	-	75,715	-	75,715	-	75,715
Balance at 30 September 2010		**993,614**	**325,389**	**325,058**	**82,301**	**649,569**	**1,300,865**	**-**	**3,676,796**	**89,706**	**3,766,502**

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STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-	(25,970)	-	-	25,970	-
Other transfers to/from the reserves		-	-	-	-	(1,515,348)	1,515,348	-
Comprehensive income		-	-	(91,921)	-	-	40,878	(51,043)
Balance at 30 September 2009		**689,515**	**3**	**365,339**	**68,952**	**(63,777)**	**1,570,224**	**2,630,255**
Balance at 31 December 2009		**689,515**	**3**	**343,404**	**68,952**	**(63,777)**	**1,621,740**	**2,659,837**
Proceeds from share capital issued		304,099	325,386	-	-	-	-	629,485
Depreciation of revaluation reserve	16	-	-	(20,184)	-	-	20,184	-
Dividends paid		-	-	-	-	-	(48,266)	(48,266)
Adjustment to previous year		-	-	(875)	-	-	875	-
Income (expenses) recognised directly in equity		-	-	-	-	-	740	740
Comprehensive income		-	-	-	-	-	43,951	43,951
Balance at 30 September 2010		**993,614**	**325,389**	**322,345**	**68,952**	**(63,777)**	**1,639,224**	**3,285,747**

(end)

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

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

	Note	Group as at 30 September 2010	Company as at 30 September 2010	Group as at 30 September 2009	Company as at 30 September 2009
Profit (loss) from continuing and discontinued operations		**75,715**	**43,951**	**36,540**	**40,878**
Reversal of non-cash expenses (income) and other adjustments					
Depreciation and amortisation expense	4,5,6	126,991	124,634	135,172	133,543
(Reversal of)/impairment charge on assets		(3,152)	(2,860)	(832)	(825)
Loss on revaluation of property, plant and equipment		-	-	82,535	82,423
Share of profit of associates and joint ventures		267	-	-	-
Income tax expense	24	25,899	10,455	30,861	30,804
Change in deferred income tax liability	24	(11,673)	(9,535)	(43,391)	(43,315)
(Income) from grants and connection of new users		(20,701)	(2,153)	5,753	5,763
Increase (decrease) in provisions		16,457	(248)	-	-
Loss on disposal/write-off of non-current assets (except financial assets)		1,786	1,194	3,180	969
Elimination of results of financing and investing activity:		-	-	-	-
- Dividends		-	(300)	-	-
- Effect of changes in foreign exchange rates, net		237	163	6	12
- Interest (income)		(2,746)	(2,211)	(5,816)	(5,830)
- Interest expense		723	423	1,434	1,282
- Other finance (income) costs		(113)	(144)	(199)	1,100
Changes in working capital					
(Increase) decrease in trade receivables and other accounts receivable		82,273	84,731	16,512	12,756
(Increase) decrease in inventories and prepayments		(4,569)	(856)	(46,760)	(46,680)
Increase (decrease) in accounts payable and advance amounts received		(59,973)	(82,084)	(61,433)	(57,925)
Income tax (paid)		(30,887)	(29,440)	(18,923)	(18,920)
Net cash generated from operating activities		**196,534**	**135,720**	**134,639**	**136,035**
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets		(114,608)	(114,641)	(64,966)	(64,892)
Proceeds from sale of PP&E and intangible assets		1,177	-	(131)	-
Loans (granted)		-	(2,863)	-	(2,250)
Term deposits		(29,939)	17,000	(29,960)	(30,000)
(Acquisition) of bonds		-	-	(39,705)	(39,705)
Disposal of bonds	12	-	-	15,994	15,994
(Acquisition) of long-term investments		-	(577,331)	-	-
Other cash flows from investing activities, decrease		(540,782)	-	-	-
Dividends received		-	300	-	-
Interest received		2,086	1,685	3,672	3,664
Net cash used in investing activities		**(682,066)**	**(675,850)**	**(115,096)**	**(117,189)**
Cash flows from financing activities					
Proceeds from borrowings		10,114	-	227	-
(Repayment) of borrowings		(14,200)	(13,811)	(25,896)	(25,896)
Proceeds from issuance of shares		629,485	629,485	-	-
Finance lease payments		(446)	-	(498)	-
Interest (paid)		(1,464)	(268)	(1,738)	(1,672)
Dividends (paid)		(1,737)	(1,511)	(12)	(12)
Net cash generated from (used in) financing activities		**621,752**	**613,895**	**(27,917)**	**(27,580)**
Net increase (decrease) in cash flows		**136,220**	**73,765**	**(8,374)**	**(8,734)**
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		**190,387**	**125,112**	**62,083**	**60,872**

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. On 5 October 2010 the Register of Legal Entities approved the new version of the Articles of the Company; the address of the registered Office of the Company has been changed and henceforth is Elektrinės g. 21, LT-26108, Elektrėnai, Lietuva.
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.

On 8 September 2010, the authorized capital of the Company was increased from LTL 689,515,435 to LTL 993,614,306 and was divided into 993,614,306 ordinary registered shares of nominal value of one litas. 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 97.50 per cent of the Company's shares as at 30 September 2010. The remaining 2.50 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 September 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.

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, Data Logistics Center UAB (Lithuania). 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 September 2010, the Company also participated in the management of a jointly controlled company LitPol Link Sp.z.o.o (Poland) which was established on 8 August 2008. Further information about associates and joint ventures is presented in Note 7.

The consolidated financial statements of Lietuvos Energija AB and its subsidiaries and the separate financial statements of Lietuvos Energija AB as a parent company are presented in these interim financial statements. As at 30 September 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 September 2010	Share capital of the subsidiary as at 30 September 2010	Profit (loss) for 2010	Equity as at 30 September 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 realization of projects
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
Lietuvos elektrinė AB	Elektrinės g. 21, Elektrėnai, Lietuva	91.27 proc.	145,801	(6,165)	1,018,530	Electricity production
Data Logistics Center UAB	Juozapavičiaus g. 13, Vilnius, Lietuva	100 proc.	50	(3)	47	Information technologies services

As at 30 September 2010, the number of employees of the Group was 1,721 (31 December 2009: 1,227). As at 30 September 2010, the number of employees of the Company was 803 (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 *Accounting policies (cont'd)*

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

Property, plant and equipment

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 and assets of Lietuvos elektrinė AB) 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, assets of Lietuvos elektrinė AB, 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.

The accounting of assets of the *AB Lietuvos elektrinė* is based on deemed cost, less the accumulated depreciation and the accumulated losses of decrease of value. On 31 December 2003, the immovable property, installations and equipment were evaluated in real value, which was the deemed cost of that property. The accounting of immovable property, installations and equipment, acquired or manufactured after 1 November 2004, is based on the purchase cost, less the accumulated depreciation and the accumulated losses of decrease of value.

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. The Company/Group capitalizes the borrowing expenditure directly related with the unfinished construction works or construction objects as the purchase cost of these assets.

Intangible assets

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

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

2 *Accounting policies (cont'd)*

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

The accounting of environmental pollution licences

The EU environmental pollution licences are considered as intangible assets granted by the state in non-monetary form, and which are recognized within the accounting statement as a real value on the moment of issuing or transfer.

After the preliminary recognition the intangible assets are revalued in real value on the basis of actual market prices. The result of the revalue, related to the unused licences, is directly recognized within the accounting statement of general income, except the cases, when the reduction of revalue is recovered, which was previously recognized as profit or loss. In such case, the increase is included by crediting the profit or loss in the volume equal to the previously recognized volume of loss due to decrease of revalue. In later periods, during the revalued units of environmental pollution, the appropriate positive remainder of the revalue reserve is directly recognized within the retained earnings.

The EU environmental pollution licences granted free of charge are considered as non-monetary state subsidy, which is recognized within the financial state statement in real value on the date of the reception or issuance thereof. Later the state subsidy respectively for the use of pollution licence during the validation period of the pollution licences or upon the selling thereof is recognized as revenue.

The accounting of environmental pollution and the pollution reduction licences is applied to the *AB Lietuvos Elektrinė* only.

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 *Accounting policies (cont'd)*

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

Estimated useful lives of property, plant and equipment and intangible assets are as follows in Lietuvos elektrinė AB:

Property, plant and equipment and intangible assets	Useful lives (in years)
Buildings	30 - 105
Structures	10 – 105
Pilepines, lines	10 – 90
Heating equipment	10 - 70
Electricity equipment	10 - 70
Calibration equipment	5 – 30
Computer hardware and communication equipment	5 - 20
Other equipment	5 – 40
Motor vehicles	6 – 50
Other tools	5 – 15
Other property, plant and equipment	4 - 15

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.

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 *Accounting policies (cont'd)*

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.

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.

2.12 Financial assets (cont'd)

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.

2.14 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 *Accounting policies (cont'd)*

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 September 2010			At 31 December 2009		
1 LVL	=	4.8673 LTL	1 LVL	=	4.8679 LTL
100 RUB	=	8.3419 LTL	100 RUB	=	7.9465 LTL
10 SEK	=	3.7673 LTL	10 SEK	=	3.3449 LTL
1 USD	=	2.5361 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.

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.

2.18 Provisions (cont'd)

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.

(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.

The Group and the Company as a lessor

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

The Group and the Company as a lessee

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 *Accounting policies (cont'd)*

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:

Revenue from sales of electricity

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.

Revenue from electricity-related services

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.

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.

2.22 Revenue and expense recognition (cont'd)

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.

2.23 Recognition of expenses

Recognition of expenses

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

2.24 Financing expenses

Financing expenses are recognised in the statement of comprehensive income as incurred by the accrual method. The financing expenses of the *AB Lietuvos Elektrinė* directly related with the purchase of assets or unfinished construction works, is capitalized as the purchase cost of this assets. Financing expenses of other companies in the group within the statement of general income are recognized using the accumulation principle, as incurred.

2.25 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.

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.

2.26 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 *Accounting policies (cont'd)*

2.27 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.

2.28 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.

2.29 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.

2.30 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.

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 (except Lietuvos Elektrinė AB) 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.

3 Significant accounting estimates and judgments (cont'd)

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.

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.

3 Significant accounting estimates and judgments (cont'd)

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.

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 September 2010 and 31 December 2009 is as follows:

Group	Patents and licenses	Computer software	Environmental pollution licences and pollution reduction units	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 September 2009					
Opening net book amount	136	2,998	-	15	3,149
Additions	-	660	-	-	660
Amortisation charge	(123)	(1,122)	-	(6)	(1,251)
Net book amount at 30 September 2009	**13**	**2536**	**-**	**9**	**2558**
At 30 September 2009					
Cost	2,358	18,760	-	36	21,154
Accumulated amortisation	(2,345)	(16,119)	-	(26)	(18,490)
Accumulated impairment	-	(105)	-	-	(105)
Net book amount at 30 June 2009	**13**	**2,536**	**-**	**10**	**2,559**
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 September 2010					
Opening net book amount	11	2,421	-	23	2,455
Additions and transfers from property, plant and equipment	15	3,088	83,474	13	86,590
Write-offs and disposals	-	(1,333)	(67,489)	-	(68,822)
Amortisation charge	(3)	(1,517)	-	(1)	(1,521)
Impairment	-	-	(3,915)	-	(3,915)
Net book amount at 30 June 2010	**23**	**2,659**	**12,070**	**35**	**14,787**
At 30 June 2010					
Cost	2,170	19,986	15,985	67	38,208
Accumulated amortisation	(2,147)	(17,222)	-	(32)	(19,401)
Accumulated impairment	-	(105)	(3,915)	-	(4,020)
Net book amount at 30 June 2010	**23**	**2,659**	**12,070**	**35**	**14,787**

4 *Intangible assets (cont'd)*

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

Company	Patents and licenses	Computer software	Environmental pollution licences and pollution reduction units	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 September 2009					
Opening net book amount	118	3,026	-	-	3,144
Additions	-	590	-	-	590
Amortisation charge	(118)	(1,102)	-	-	(1,220)
Net book amount at 30 September 2009	**-**	**2,514**	**-**	**-**	**2,514**
At 30 September 2009					
Cost	2,273	18,531	-	-	20,808
Accumulated amortisation	(2,273)	(16,017)	-	-	(18,294)
Net book amount at 30 September 2009	**-**	**2,514**	**-**	**-**	**2,514**
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 September 2010					
Opening net book amount	-	3,604	-	-	3,604
Additions and transfers from property, plant and equipment	-	230	-	13	243
Write-offs and disposals	-	(1,283)	-	-	(1,283)
Amortisation charge	-	(805)	-	(1)	(806)
Net book amount at 30 September 2010	**-**	**1,746**	**-**	**12**	**1,758**
At 30 September 2010					
Cost	2,049	14,179	-	13	16,241
Accumulated amortisation	(2,049)	(12,433)	-	(1)	(14,483)
Net book amount at 30 September 2010	**-**	**1,746**	**-**	**12**	**1,758**

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

Category of intangible assets	Group at 30 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Patents and licenses	2,050	2,050	2,073	2,073
Computer software	11,398	11,151	13,140	13,089
Total	**13,448**	**13,201**	**15,213**	**15,162**

5 *Property, plant and equipment*

The structure of the Group's property, plant and equipment as at 30 September 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	Constructio n 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 September 2009								
Opening net book amount	286	192,921	2,182,534	555,625	9,596	62,507	146,202	3,149,671
Additions	-	75	873	23,811	102	8,788	31,552	65,201
Revaluation	-	(13,689)	(160,209)	-	-	-	(424)	(174,322)
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	(2,208)	(650)	(308)	-	(14)	-	(3,180)
Reversal of impairment	-	2,205	-	369	-	-	-	2,574
Reclassification between groups	-	6,069	131,260	-	-	14,611	(151,940)	-
Transferred to inventories	-	(4,619)	-	-	-	(1,258)	-	(5,877)
Transferred to investment property (Note 6)	-	(22,126)	-	-	-	-	-	(22,126)
Depreciation charge	-	(3,689)	(96,672)	(16,788)	(2,192)	(14,365)	-	(133,706)
Net book amount	**286**	**154,939**	**2,057,136**	**562,709**	**7,506**	**70,269**	**25,390**	**2,878,235**
At 30 September 2009								
Cost or revaluated amount	286	165,314	2,157,821	672,396	9,698	85,362	25,390	3,116,267
Accumulated depreciation	-	(3,689)	(96,672)	(108,918)	(2,192)	(14,365)	-	(225,836)
Accumulated impairment	-	(6,686)	(4,013)	(769)	-	(728)	-	(12,196)
Net book amount	**286**	**154,939**	**2,057,136**	**562,709**	**7,506**	**70,269**	**25,390**	**2,878,235**

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	Construction in progress	Total
At 31 December 2009								
Cost	286	135,125	2,009,335	687,391	9,841	90,084	26,661	2,958,723
Accumulated depreciation	-	-	-	(114,413)	(2,900)	(19,474)	-	(136,787)
Accumulated impairment	-	(4,953)	(4,013)	(769)	-	(256)	-	(9,991)
Net book amount	**286**	**130,172**	**2,005,322**	**572,209**	**6,941**	**70,354**	**26,661**	**2,811,945**
Period ended 30 September 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	1,200	56,034	2,563,778	49	1,765	32,630	2,662,998
Disposals	-	(1,158)	-	-	-	-	-	(1,158)
Write-offs	-	-	(1,185)	(16)	(276)	(309)	-	(1,786)
Impairment	-	(641)	-	-	(31)	-	-	(672)
Reclassification between groups	-	472	19,231	-	1,151	(2,257)	(18,597)	-
Transferred to the group of assets held for sale	-	-	-	-	-	(1,244)	-	(1,244)
Transferred to investment property (Note 6)	-	(1,959)	-	-	-	-	-	(1,959)
Depreciation charge	-	(2,596)	(91,306)	(466,279)	(1,712)	(11,590)	-	(573,483)
Net book amount	**7,828**	**125,490**	**1,988,096**	**2,669,692**	**6,122**	**56,719**	**40,694**	**4,894,641**
At 30 September 2010								
Cost or revaluated amount	7,828	133,680	2,083,415	3,251,153	10,765	88,039	40,694	5,615,574
Accumulated depreciation	-	(2,596)	(91,306)	(580,692)	(4,612)	(31,064)	-	(710,270)
Accumulated impairment	-	(5,594)	(4,013)	(769)	(31)	(256)	-	(10,663)
Net book amount	**7,828**	**125,490**	**1,988,096**	**2,669,692**	**6,122**	**56,719**	**40,694**	**4,894,641**

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 September 2009. The total amount of the decrease arising on revaluation was LTL 174,453 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
114,901	59,552	174,453
114,901	**59,552**	**174,453**

As described in Note 3, at 30 September 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 September 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	Construction in progress	Total
At 31 December 2008								
Cost	286	156,404	2,177,144	648,893	8,343	62,646	146,339	3,200,055
Accumulated depreciation	-	-	-	(92,130)	-	-	-	(92,130)
Accumulated impairment	-	(145)	(1,224)	(1,138)	-	(728)	-	(3,235)
Net book amount	**286**	**156,259**	**2,175,920**	**555,625**	**8,343**	**61,918**	**146,339**	**3,104,690**

5 *Property, plant and equipment (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 September 2009								
Opening net book amount	286	156,259	2,175,920	555,625	8,343	61,918	146,339	3,104,690
Additions	-	-	762	23,811	61	8,740	31,823	65,197
Revaluation	-	(13,583)	(160,209)	-	-	-	(555)	(174,347)
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	-	(627)	(331)	-	(11)	-	(969)
Reversal of impairment	-	-	-	369	-	-	-	369
Reclassification between groups	-	6,069	131,260	-	-	14,611	(151,940)	-
Transferred to investment property (Note 6)	-	(22,126)	-	-	-	-	-	(22,126)
Depreciation charge	-	(3,113)	(95,778)	(16,788)	(1,953)	(14,301)	-	(131,933)
Net book amount at 30 September 2009	**286**	**123,506**	**2,051,328**	**562,686**	**6,451**	**70,957**	**25,667**	**2,840,881**
Cost or revaluated amount	286	126,764	2,148,330	672,373	8,404	85,986	25,667	3,067,810
Accumulated depreciation	-	(3,113)	(95,778)	(108,918)	(1,953)	(14,301)	-	(224,063)
Accumulated impairment	-	(145)	(1,224)	(769)	-	(728)	-	(2,866)
Net book amount At 31 December 2009	**286**	**123,506**	**2,051,328**	**562,686**	**6,451**	**70,957**	**25,667**	**2,840,881**
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 September 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	1,131	56,505	8,311	327	9,122	32,273	115,211
Write-offs	-	-	(1,185)	(1)	(166)	(7,066)	-	(8,418)
Impairment	-	-	-	-	(31)	-	-	(31)
Reclassification between groups	-	472	19,231	-	1,151	(2,257)	(18,597)	-
Transferred to intangible assets	-	-	-	-	-	(1,244)	-	(1,244)
Transferred to investment property (Note 6)	-	(1,959)	-	-	-	-	-	(1,959)
Depreciation charge	-	(2,326)	(90,879)	(16,494)	(1,753)	(11,800)	-	(123,252)
Net book amount at 30 September 2010	**7,828**	**97,958**	**1,986,102**	**564,025**	**5,384**	**57,576**	**40,885**	**2,759,758**
Cost or revaluated amount	7,828	100,429	2,078,156	695,701	9,709	89,188	40,885	3,021,896
Accumulated depreciation	-	(2,326)	(90,830)	(130,907)	(4,294)	(30,884)	-	(259,241)
Accumulated impairment	-	(145)	(1,224)	(769)	(31)	(728)	-	(2,897)
Net book amount	**7,828**	**97,958**	**1,986,102**	**564,025**	**5,384**	**57,576**	**40,885**	**2,759,758**

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 September 2009. In 2009, the total amount of the decrease arising on revaluation was LTL 174,347 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
114,901	59,446	174,347
114,901	**59,446**	**174,347**

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

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

Non-current assets indicated in the table below have been leased to LITGRID AB 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 September 2010	48	1,961	34,615	1,953,503	668	28,174	2,018,969

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

Project	Value, LTL thousand
Installation of fuse of small output of nitrogen oxide and heating mechanism	112,569
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
System of turbo generator excitation	1,004

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

Category of PP&E	**At 30 September 2010**	**At 31 December 2009**
Plant and machinery	3,688	3,705
Motor vehicles	280	331
Total	**3,968**	**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 September 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 September 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 112 million as at 30 September 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 September 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**	**Construc-tion 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 September 2010	7,661	96,571	1,703,061	564,024	5,384	55,252	41,584	2,473,537

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**
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 September 2010	7,661	124,967	1,708,196	2,663,392	6,582	62,379	41,584	4,614,761

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 September 2009		
Opening net book amount	3,919	21,779
Transferred from property, plant and equipment (Note 5)	22,126	22,126
Depreciation charge	(216)	(390)
Net book amount at 30 September 2009	**25,829**	**43,515**
At 30 September 2009		
Cost	26,503	44,825
Accumulated depreciation	(674)	(1,310)
Net book amount at 30 September 2009	**25,829**	**43,515**
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 September 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	(363)	(576)
Net book amount at 30 September 2010	**18,738**	**38,414**
At 30 September 2010		
Cost	19,101	38,990
Accumulated depreciation	(363)	(576)
Net book amount at 30 September 2010	**18,738**	**38,414**

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 September 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 September 2010 and 31 December 2009 approximates to their carrying amounts.

Income from lease of investment property of the Group and the Company for the nine months of 2010 amounted to LTL 702 thousand and LTL 1,484 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 September 2010.

7 *Investments*

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

Subsidiary **At 30 September 2010**	**Acquisition cost**	**Impairment**	**Carrying amount**
AB "Lietuvos elektrinė"	572,180	-	572,180
UAB „Kauno energetikos remontas"	31,341	(15,441)	15,900
Litgrid AB	9,748	-	9,748
UAB „Kruonio investicijos»	2,361	(914)	1,447
Energijos tiekimas, UAB	750	-	750
UAB "Data Logistics Center"	50	-	50
UAB „Energetikos pajėgos" (14 pastaba)	-	-	-
UAB "Interlinks" (14 pastaba)	-	-	-
VšĮ Respublikinis energetikų mokymo centras (Note 14)	-	-	-
Total	**616,430**	**(16,355)**	**600,075**

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 September 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.

The UAB Data Logistics Center was established on 1 September 2010. The aim of the company is to provide services of data centers, data transmission, fiber waveguide rent and other telecommunication services to the clients within the group of energetic companies.

7 *Investments (cont'd)*

On 18 August 2010, the Company purchased 133,065,125 ordinary registered shares of the Lietuvos elektrinė AB, which amounted to 91.27 % of all shares of the Lietuvos Elektrinė AB. The UAB Visagino atominė elektrinė used these shares of the Lietuvos Elektrinė AB for the increase of the authorized capital.

Assets and liabilities acquired in the acquisition transaction of Lietuvos Elektrinė AB are as follows:

	Carrying amount
Intangible assets	12,082
Tangible assets	2,177,923
Non-current accounts receivable	1,037
Inventories	139,600
Current accounts receivable	107,606
Cash and cash equivalents	21,823
Grants	(852,283)
Non-current liabilities	(351,317)
Deffered income tax liabilities	(112,295)
Current liabilities	(17,967)
Other accounts payable and liabilities	(99,221)
Net assets acquired	**1,026,988**

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 September 2010 and 31 December 2009 is as follows:

Group At 30 September 2010	**Acquisition cost**	**Ownership (% of shares)**	**Impairment and equity method**	**Carrying amount**
Nordic Energy Link AS	21,175	25.00	1,281	22,456
Geoterma UAB	7,396	23.44	(4,184)	3,212
LitPol Link Sp.z.o.o	1,020	50.00	(744)	276
Enmašas UAB	20	33.33	(6)	14
Iš viso	**29,611**		**(3,653)**	**25,958**

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**

7 *Investments (cont'd)*

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

Company At 30 September 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)	-
Iš viso	**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**

Financial position as at 30 September 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 September 2010	Assets	Liabilities	Sales revenue	Net profit (loss)
Nordic Energy Link AS	318,222	230,751	51,934	1,244
Geoterma UAB	54,407	14,215	9,771	(1,360)
LitPol Link Sp.z.o.o	1,671	552	2,620	551
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 September 2010 and 30 September 2009 were as follows:

	Group at 30 September 2010	Company at 30 September 2010	Group at 30 September 2009	Company at 30 September 2009
Carrying amount at 1 January	**25,837**	**24,853**	**25,699**	**24,759**
Increase (decrease) in value of investments	(146)	(146)	(138)	(138)
Share of financial result (loss) of associates and joint ventures	267	-	-	-
Carrying amount at the end of the period	**25,958**	**24,707**	**25,561**	**24,621**

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 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Oil, at acquisition cost	119,841	-	-	-
Spare parts at acquisition cost	12,687	-	-	-
Materials at acquisition (production) cost	11,967	3,943	9,291	4,144
Goods for resale at acquisition cost	76	76	146	146
Less: write-down to net realisable value	(3,843)	(996)	(5,618)	(1,045)
Carrying amount	**140,728**	**3,023**	**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 September 2010 amounted to LTL 9,550 thousand and LTL 1,777 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 September 2010 amounted to LTL 47,794 thousand and LTL 2,331 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 September 2010 and 30 September 2009 are shown in the table below:

	Group at 30 September 2010	Company at 30 September 2010	Group at 30 September 2009	Company at 30 September 2009
Impairment provision for inventories at 1 January	**5,618**	**1,045**	**4,448**	**858**
Write-down of inventories during the reporting period	113	70	2,415	210
Reversal of inventories write-down	(1,888)	(119)	(95)	(95)
Impairment provision for inventories at 31 December	**3,843**	**996**	**6,768**	**973**

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 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Receivables for electricity sold in Lithuania	202,794	86,422	142,037	142,037
Receivables for repair and design works	5,042	-	7,894	-
Unbilled revenue from electricity-related sales	742	506	8,576	8,576
Receivables for exported electricity	-	-	23,543	23,543
VAT on unbilled revenue	-	-	25	25
Total	**208,578**	**86,928**	**182,075**	**174,181**
Less: provision for doubtful receivables	(11,318)	(9,612)	(11,733)	(10,024)
Carrying amount	**197,260**	**77,316**	**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 September 2010 and 30 September 2009 are shown in the table below:

	Group at 30 September 2010	Company at 30 September 2010	Group at 30 September 2009	Company at 30 September 2009
Carrying amount at 1 January	**11,733**	**10,024**	**10,313**	**9,612**
Reversal of doubtful receivables	(417)	(412)	(3)	-
Recognised as doubtful receivables in the reporting period	2	-	298	603
Carrying amount at the end of the period	**11,318**	**9,612**	**10,608**	**10,215**

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

As at 30 September 2010 and 30 September 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 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Not past due	192,555	77,315	163,877	162,780
Past due up to 30 days	1,629	1	3,085	1,377
Past due from 30 to 60 days	695	-	3,380	-
Past due from 60 to 90 days	10	-	-	-
Past due more than 90 days	2,371	-	-	-
Carrying amount	**197,260**	**77,316**	**170,342**	**164,157**

10 Other accounts receivable

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

	Group at 30 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Loan granted to VAE AB	26,780	26,780	-	-
Other accounts receivable	6,496	4,429	4,444	4,199
Receivables for IT and telecommunications services	3,316	3,383	2,623	2,623
VAT receivable in future periods	1,820	398	-	-
VAT receivable from the budget	1,181	-	-	-
Accrued interest receivable	195	-	840	840
Current portion of long-term receivables (Note 8)	25	25	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	-	363	-	691
Loan granted to LEO LT, AB	-	-	73,309	73,309
Total	**39,813**	**51,112**	**81,244**	**81,690**
Less: provision for doubtful receivables	(1,241)	(1,100)	(3,676)	(3,676)
Carrying amount at the end of the period	**38,572**	**50,012**	**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. On 12 July 2010, the borrowing transfer agreement was signed between the Lietuvos energija AB, the AB LEO LT, under liquidation procedure, and the UAB Visagino atominė elektrinė, according to which the loan agreement was transferred to the UAB Visagino atominė elektrinė.

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

	Group at 30 September 2010	Company at 30 September 2010	Group at 30 September 2009	Company at 30 September 2009
Carrying amount at 1 January	**3,676**	**3,676**	**4,870**	**4,870**
Reversal of doubtful receivables	(207)	(207)	-	-
Write-down of doubtful receivables	(2,848)	(2,848)	(1,429)	(1,429)
Recognised as doubtful receivables in the reporting period	620	479	115	115
Carrying amount at the end of the period	**1,241**	**1,100**	**3,556**	**3,556**

As at 30 September 2010, the majority of impaired other receivables of the Group and the Company consisted of trade receivables from iš VŠĮ Respublikinis energetikų mokymo centras – LTL 392 thousand Lt. (31 December 2009 – LTL 47 thousand).

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 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Not past due	36,999	48,439	77,258	77,704
Past due up to 30 days	150	150	144	144
Past due from 30 to 60 days	221	221	166	166
Past due more than 60 days	1,202	1,202	-	-
Carrying amount	**38,572**	**50,012**	**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). 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 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Term deposit at Danske Bank A/S Lithuania Branch (contract currency litas), maturity - March 2011, interes rate 1,85 per cent	10,000	-	-	-
Term deposit at SEB Bankas AB (contract currency litas), maturity - November 2010, interes rate 1,95 per cent	7,000	-	-	-
Term deposit at Nordea Bank Finland Plc Lithuania Branch (contract currency litas), maturity - November 2010, interes rate 1,70 per cent	7,000	-	-	-
Term deposit at Danske Bank A/S Lithuania Branch (contract currency litas), maturity - November 2010, interes rate 1,90 per cent	6,000	-	-	-
Term deposit at SEB Bankas AB (contract currency litas), maturity - November 2010, interes rate 1,85 per cent	6,000	-	-	-
Term deposit at SEB Bankas AB (contract currency litas), maturity - November 2010, interes rate 1,55 per cent	6,000	-	-	-
Term deposit at Nordea Bank Finland Plc Lithuania Branch (contract currency litas), maturity - October 2010, interes rate 1,51 per cent	5,000	-	-	-
Term deposit at Swedbank (contract currency litas), maturity - June 2012	60	-	-	-
Term deposit at AB DnB Nord bankas (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	**47,099**	**-**	**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 1.80 per cent as at 30 September 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 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Cash at bank and in hand	162,017	125,112	9,286	6,866
Overnight deposit at Swedbank AB (contract currency litas)	28,370	-	481	481
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	**190,387**	**125,112**	**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 September 2010. Weighted average interest rate on the Group's term deposits with maturity of three months or less was 1.55 per cent as at 30 September 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 UAB „Energetikos pajėgos", Interlinks UAB and venturer's rights of Respublikinis energetikų mokymo centras VšĮ were classified as non-current assets held for sale as at 30 September 2010 (see details also in Note 32).

As at 30 September 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 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Non-current assets of Kauno Energetikos Remontas UAB	4,646	-	3,205	-
Energetikos pajėgos UAB	1,262	414	-	-
Respublikinis energetikų mokymo centras VšĮ	770	-	-	-
Interlinks UAB	377	5,653	-	-
	7,055	**6,067**	**3,205**	**-**

15 Share capital

As at 30 September 2010, the share capital of the Company was LTL 993,614,306 and it was divided into 993,614,306 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 1.69 per share (2009: LTL 1.29). The number of shareholders as at 30 September 2010 was 6,031 (31 December 2009: 5,867).

The shareholders' structure of the Company is as follows:

Shareholders	Share capital at 30 September 2010 (LTL)	%	Share capital at 31 December 2009 (LTL)	%
Visagino Atominė Elektrinė UAB	968,799,566	97.50	-	-
Other shareholders	24,814,740	2.50	24,814,046	3.60
LEO LT, AB	-	0.00	664,700,833	96.40
State of Lithuania represented by the Ministry of Energy	-	0.00	556	0.00
Total	**993,614,306**	**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	(32,462)	6,492	(25,970)
Loss on revaluation of property, plant and equipment	(114,901)	22,980	(91,921)
Other adjustments	(299)	60	(239)
Balance at 30 September 2009	**468,242**	**(93,649)**	**374,593**
Balance at 31 December 2009	**407,259**	**(61,089)**	**346,170**
Impairment of revaluation reserve	(23,808)	3,571	(20,237)
Other adjustments	(1,029)	154	(875)
Balance at 30 September 2010	**382,422**	**(57,364)**	**325,058**

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	(32,463)	6,493	(25,970)
Loss on revaluation of property, plant and equipment	(114,901)	22,980	(91,921)
Balance at 30 September 2009	**456,674**	**(91,335)**	**365,339**
Balance at 31 December 2009	**404,005**	**(60,601)**	**343,404**
Impairment of revaluation reserve	(23,746)	3,562	(20,184)
Other adjustments	(1,029)	154	(875)
Balance at 30 September 2010	**379,230**	**(56,885)**	**322,345**

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 September 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)	(58,918)	(1,518,252)
Balance at 30 September 2009	**(63,777)**	-	-	-	56	**(63,722)**
Balance at 31 December 2009	**(63,777)**	-	-	-	-	**(63,777)**
Reserves established	-	-	30	-	713,316	713,346
Balance at 30 September 2010	**(63,777)**	**-**	**30**	**-**	**713,316**	**649,569**

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 September 2009	**(63,777)**	-	-	-	-	**(63,777)**
Balance at 31 December 2009	**(63,777)**	-	-	-	-	**(63,777)**
Reserves utilised	-	-	-	-	-	-
Balance at 30 September 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 September 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 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Non-current borrowings				
Sindicated loan (AB „Swedbank", AB „SEB bankas", Nordea Bank Finland Plc skyrius, AB „DnB NORD" bankas, AB "Danske Bankas")	136,519	-	-	-
European Bank for reconstruction and development (EBRD) loan	120,144	-	-	-
Sindicated loan (AB „Swedbank", AB „SEB bankas", Nordea Bank Finland Plc skyrius, AB „DnB NORD" bankas)	92,010	-	-	-
Loan for environmental projects AB „DnB NORD"	7,428	-	-	-
Loan for refinancing of non-current assets aqcuisition AS „UniCredit Bank" Lietuvos skyriaus	-	-	13,811	13,811
Overdraft, UAB "Kauno energetikos remontas"	-	-	389	-
Non-current borrowings total:	**356,101**	**-**	**14,200**	**13,811**
Current borrowings				
Sindicated loan (AB „Swedbank", AB „SEB bankas", Nordea Bank Finland Plc skyrius, AB „DnB NORD" bankas, AB "Danske Bankas")	14,253	-	-	-
Overdraft, UAB "Energijos tiekimas"	11,278	-	-	-
Owerdraft, AB "Swedbank"	7,052	-	-	-
Loan for environmental projects AB „DnB NORD"	3,714	-	-	-
Loan for refinancing of non-current assets aqcuisition AS „UniCredit Bank" Lietuvos skyriaus	-	-	13,811	13,811
Overdraft, UAB "Kauno energetikos remontas"	-	-	389	-
Current borrowings total:	**36,297**	**-**	**14,200**	**13,811**

On 30 September 2010, the long-term and short-term loans of the group were composed of the following:

- Credit agreement of 1 July 2003 of the Lietuvos Elektrinė AB concluded with the DnB NORD Bank. Sum of the credit – EUR 3,765,000. Credit repayment date – 1 May 2013;
- Credit agreement of 30 June 2004 of the Lietuvos Elektrinė AB concluded with the AB Swedbank, the AB SEB bankas, Nordea Bank Finland Plc division, the AB DnB NORD bank and the amendments thereof. Sum of the credit – EUR 49,000,000. Credit repayment date – 9 November 2020;
- Credit agreement of 31 March 2010 of the Lietuvos Elektrinė AB concluded with the AB Swedbank, the AB SEB bankas, Nordea Bank Finland Plc division, the AB DnB NORD bank and Danske Bank A/S. Sum of the credit – EUR 81,400,000. Credit repayment date – 3 June 2016;
- Agreement of 18 February 2010 of the Lietuvos Elektrinė AB concluded with the European Reconstruction and Development Bank. Sum of the credit – EUR 71,000,000. General overdraft limit – LTL 13,000. Date of expiry of the overdraft agreement is 18 February 2025;
- The overdraft used by the Lietuvos Elektrinė AB of LTL 7,052,000. General overdraft limit – LTL 13,000,000. Date of the expiry of the overdraft agreement is 1 march 2011;
- The overdraft used by the Energijos tiekimas UAB, LTL 11,278,000. General overdraft limit – LTL 17,000,000, Date of the expiry of the overdraft agreement is 11 March 2011.

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 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.

20 Borrowings (cont'd)

Under the loan agreements the Group and the Company has been undertaken to comply with the following requirements:

- The Lietuvos Elektrinė AB has obliged to the AB DnB NORD to mortgage all current and future finances within the bank accounts, mortgaged fuel resources owned by the Company, placed at Elektrinės str. 21, Elektrėnai, for a price which is not less than LTL 19,000,000 at market value, mortgaged assets must be insured at the insurance company as agreed with the Bank, indicating the Bank as the receiver of the pay;
- The Lietuvos Elektrinė AB has obliged to the Swedbank AB, the AB SEB Bank, Nordea Bank Finland Plc division, the AB DnB NORD bank to mortgage the long-term assets acceptable to the Banks the balance value thereof is not less than LTL 340,000,000, all assets within the bank accounts of the Company, placed within the banks registered within the Republic of Lithuania, as well has obliged to make all transfers using accounts only within these Banks;
- The Lietuvos Elektrinė AB has obliged to the Swedbank AB, the AB SEB Bank, Nordea Bank Finland Plc division, the AB DnB NORD bank and the Danske Bank A/S to transfer all the immovable, tangible and intangible property, created during the implementation of the Project, all the current and future finances within all of the present and future bank accounts of the Company, and all the property rights in all of the property insurance agreements relating the Project.

In 2010 and 2009 the Group and the Company was in compliance with all covenants under the loan agreements.

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

As at 30 September 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:

Group	At 30 September 2010		At 31 December 2009	
	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	601	578	607	532
Within second – fifth years	1,092	1,073	1,620	1,565
Minimum finance lease payments	**1,693**	**1,651**	**2,227**	**2,097**
Less: deferred interest	(42)	-	(130)	-
Present value of minimum finance lease payments	**1,651**	**1,651**	**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 September 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	7,704	7,705
Utilised during the period	(1,951)	(1,942)
Balance at 30 September 2009	**72,092**	**72,072**
Balance at 31 December 2009	**71,420**	**71,393**
Received during the period	866,338	1,064
Utilised during the period	(20,701)	(2,153)
Balance at 30 September 2010	**917,057**	**70,304**

23 *Other non-current accounts payable and liabilities*

	Group at 30 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Advances received from new customers	13,016	13,016	8,224	8,224
Non-current payables for material values	4,680	4,680	-	-
Provisions for pension payments and injury compensations	1,825	1,629	1,735	1,735
Liability related to guarantees for Nordic Energy Link	853	853	995	995
Total	**20,374**	**20,178**	**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 September 2010 and 30 September 2009 comprised as follows:

	Group 2010	Company 2010	Group 2009	Company 2009
Income tax expense components				
Current income tax	25,899	10,455	(30,861)	(30,804)
Deferred income tax (benefit)				
Deferred income tax adjustment	(12,679)	(9,535)	20,249	20,334
Income tax expense (income) for the reporting period	**13,220**	**920**	**(10,612)**	**(10,470)**

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 31 December 2008	**245,363**	**2,064**	**1,121**	**3,117**	**251,665**
Recognised in profit or loss	4,979	(905)	(271)	(8,666)	(4,863)
Recognised in other comprehensive income	-	-	-	-	-
As at 30 September 2009	**250,342**	**1,159**	**850**	**(5,549)**	**246,802**
At 31 December 2009	**176,592**	**1,912**	**656**	**14,563**	**193,723**
Recognised in profit or loss	5,869	(626)	(22)	(11,773)	(6,552)
Recognised in other comprehensive income	-	-	-	-	-
At 30 September 2010	**182,461**	**1,286**	**634**	**2,790**	**187,171**

	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 31 December 2008	**(602,201)**	**(1,730)**	**(31,911)**	**(182)**	**(636,024)**
Recognised in profit or loss	23,708	159	1,407	-	25,274
Recognised in other comprehensive income	22,980	-	-	-	22,980
As at 30 September 2009	**(555,513)**	**(1,571)**	**(30,504)**	**(182)**	**(587,770)**
At 31 December 2009	**(405,264)**	**(1,156)**	**(22,678)**	**(182)**	**(429,280)**
Recognised in profit or loss	(90,308)	(1,412)	(2,092)	(22)	(93,834)
Recognised in other comprehensive income	-	-	-	-	-
At 30 September 2010	**(495,572)**	**(2,568)**	**(24,770)**	**(204)**	**(523,114)**
Deferred income tax, net, at 31 December 2009					**(340,968)**
Deferred income tax, net, at 30 September 2010					**(335,943)**

24 Income tax (cont'd)

Company	Revaluation of PP&E (impairment)	Bad debts	Accrued charges	Impairment of assets	Total
Deferred income tax assets					
At 31 December 2008	244,780	1,923	902	3,651	251,256
Recognised in profit or loss	4,988	(804)	(174)	(8,086)	(4,076)
Recognised in other comprehensive income	-	-	-	-	-
As at 30 September 2009	**249,768**	**1,119**	**728**	**(4,435)**	**247,180**
At 31 December 2009	176,270	1,657	530	14,867	193,324
Recognised in profit or loss	6,191	(371)	(26)	(11,999)	(6,205)
Recognised in other comprehensive income	-	-	-	-	-
At 30 September 2010	182,461	1,286	504	2,868	187,119

	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 31 December 2008	(599,449)	(1,730)	(31,638)	(182)	(632,999)
Recognised in profit or loss	22,872	159	1,380	-	24,411
Recognised in other comprehensive income	22,980	-	-	-	22,980
As at 30 September 2009	(553,597)	(1,571)	(30,258)	(182)	(585,608)
At 31 December 2009	(402,752)	(1,156)	(22,568)	(182)	(426,658)
Recognised in profit or loss	16,317	(1,412)	857	(22)	15,740
Recognised in other comprehensive income	-	-	-	-	-
At 30 September 2010	(386,435)	(2,568)	(21,711)	(204)	(410,918)
Deferred income tax, net, at 31 December 2009					(338,428)
Deferred income tax, net, at 30 September 2010					(223,799)

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 September 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 12,741 thousand (31 December 2009: LTL 11,144 thousand).

24 Income tax (cont'd)

As at 30 September 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 September 2010	**Company at 30 September 2010**	**Group at 30 September 2009**	**Company at 30 September 2009**
Profit (loss) before income tax	**94,630**	**44,871**	**47,152**	**51,348**
Income tax calculated at a tax rate of 15% (2009: 20%)	14,195	6,731	9,430	10,270
Tax effect of income or expenses that are not subject to tax or deductable	(1,152)	(5,988)	1,144	262
Change in impairment of realisable value of deferred income tax	177	177	38	(62)
Income tax	**13,220**	**920**	**10,612**	**10,470**
Effective income tax rate (%)	**14**	**2**	**23**	**20**

25 Trade payables

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

	Group at 30 September 2010	**Company at 30 September 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Debts for electricity and related services	40,195	26,796	105,181	105,181
Amounts payable for contractual works, other services	39,359	30,078	38,848	39,130
Amounts payable for gas	28,786	-	-	-
Accrued liability for electricity	22,422	8,722	12,401	12,401
Amounts payable for material values	7,065	841	694	694
Carrying amount	**137,827**	**66,437**	**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 September 2010	Company at 30 September 2010	Group at 31 December 2009	Company at 31 December 2009
Employment-related liabilities	7,018	2,352	3,282	1,868
VAT payable to the budget	6,744	5,494	2,157	1,756
Vacation reserve	2,040	1,830	2,332	2,150
Dividends payable	1,832	733	507	507
Accrued other charges	1,752	1,689	5,408	5,408
Land rent tax payable	671	-	-	-
Real estate tax payable	604	597	2,283	2,230
Other accounts payable and current liabilities	447	27	3,175	35
Natural resource tax	159	-	387	387
Environment polution tax payable	100	-	-	-
Provisions for claims	20	20	20	20
Current portion of deferred income	-	-	803	803
Deferred VAT payable	-	-	1	1
Carrying amount	**21,387**	**12,742**	**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 September are presented below:

	Group at 30 September 2010	Company at 30 September 2010	Group at 30 September 2009	Company at 30 September 2009
Domestic sales of electricity (excluding PSO)	620,000	618,547	215,635	-
Public service obligations (PSO)	331,726	-	455,082	-
Electricity transmission service	186,369	-	163,369	-
Capacity reserve	73,796	21,276	99,947	-
Export of electricity	45,293	45,293	189,127	189,128
Other sales of electricity and related services	12,486	-	5,600	-
Revenue from heat power	936	-	-	-
Revenue from connection of new users	581	581	508	508
Total	**1,271,187**	**685,697**	**1,129,268**	**189,636**

* The Company and the Group had accounted for LTL 15,631 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 13,016 thousand (31 December 2009: LTL 8,224 thousand) which are reclassified to income upon the provision of connection services. During the nine-month period of 2010, the Company/Group has recognised revenue of LTL 581 thousand (nine-months of 2009: LTL 508 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 September 2010 and for the period then ended is presented in the table below:

2010	Business segments generating revenue from external sales									Heat energy trade	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	**610,128**	**189,411**	**23,043**	**52,520**	**331,729**	**13,425**	**616,771**	**43,355**	**29,365**	**936**	**1,300,555**
Revenue from external sales	**2,090**	**3,872**	**5,019**	**7,109**	**(17,284)**	**3,374**	**73,160**	**9,773**	**7,579**	**(138)**	**92,464**
Operating profit (loss)	99,064	92,305	-	6,759	-	-	18,947	1,242	7,698	40	126,991
Depreciation and amortisation expense	-	-	-	-	-	-	-	-	-	-	-
Loss on revaluation of property, plant and equipment											2166
											94,630
Net finance income (expenses)											**(13,220)**
Profit (loss) before income tax											
Income tax											**(5,695)**
											75,715
Discontinued operations											
Profit (loss) for the period											
Loss on revaluation of property, plant and equipment recognised in equity											

The heat energy trade section is composed of the activities of the *AB Lietuvos Elektrinė* of the production and trade of heat energy.

28 *Segment information (cont'd)*

The Group's information on segments as at 30 September 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	**741,047**	**163,369**	**16,574**	**99,947**	**455,082**	**6,075**	**199,094**	**189,127**	**34,182**	**1,163,450**
Operating profit (loss)	**(15,105)**	**(49,247)**	**(1,820)**	**(11,520)**	**41,471**	**6,011**	**5,710**	**51,762**	**348**	**42,715**
Depreciation and amortisation expense	120,620	109,456	-	11,161	1	1	2,858	1,465	8,137	133,081
Loss on revaluation of property, plant and equipment	55,482	50,346	-	5,134	1	1	1,315	674	2,081	59,552
Net finance income (expenses)										**4,437**
Profit (loss) before income tax										**47,152**
Income tax										**(10,612)**
Profit (loss) for the period										**36,540**
Loss on revaluation of property, plant and equipment recognised in equity	104,143	94,505	-	9,636	1	1	2,468	1,265	7,025	114,901

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

Country	Group at 30 September 2010	Company at 30 September 2010	Group at 30 September 2009	Company at 30 September 2009
Lithuania	1,248,306	758,283	990,231	39,781
Finland	42,689	42,689	34,679	34,679
Estonia	4,124	1,998	111,345	111,108
Russia	2,285	-	224	-
Latvia	1,762	648	24,268	24,268
Germany	870	-	2,104	-
Sweeden	321	321	-	-
Norway	198	198	-	-
Denmark	-	-	599	-
Total	**1,300,555**	**804,137**	**1,163,450**	**209,836**

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

The Group's revenue from a single external customer comprise LTL 912,863 thousand (2009 – LTL 559,591 thousand). The Company's revenue from single external customer comprise LTL 419,563 thousand (2009 – LTL 559,591 thousand).

29 Other operating income

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

	Group at 30 September 2010	Company at 30 September 2010	Group at 30 September 2009	Company at 30 September 2009
IT services	16,479	33,216	12,565	12,565
Repairs and other services	10,009	-	13,391	14
Income from lease of assets	1,085	1,933	6,031	5,959
Health, catering and recreation services	773	773	695	695
Other income	687	3,281	1,315	940
Design works	333	-	158	-
Gain on disposal of property, plant and equipment	2	2	27	27
Lease and maintenance of transmission network	-	79,235	-	-
Total income from other activities	**29,368**	**118,440**	**34,182**	**20,200**

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

	At 30 September 2010	At 30 September 2009
Total income from repair services from the commencement date of the project	7,044	16,189
Total expenses from repair services from the commencement date of the project	6,650	15,115
Trade receivables (included in accounts receivable)	5,693	10,879
Advance amounts received	324	108

29 Other operating income (cont'd)

On 31 December 2009, Lietuvos Energija AB and LITGRID AB concluded the Agreement between the system owner and the transmission system operator which conveys to LITGRID AB 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 September 2010
Within 1 year	48,025
Between 1 year to 5 years	192,100
After 5 years	204,107
Total	**444,232**

30 Finance income

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

	Group at 30 September 2010	Company at 30 September 2010	Group at 30 September 2009	Company at 30 September 2009
Interest income	2,746	2,211	5,816	5,829
Other income	364	1	8	8
Foreign currency exchange gain	160	144	221	221
Dividends received	-	300	-	-
Total finance income	**3,270**	**2,656**	**6,045**	**6,058**

31 Other finance costs

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

	Group at 30 September 2010	Company at 30 September 2010	Group at 30 September 2009	Company at 30 September 2009
Interest expense	(723)	(423)	(1,434)	(1,282)
Foreign currency exchange loss	(601)	(164)	(16)	(16)
Loan service costs	(47)	-	(20)	(20)
Total finance costs	**(1,371)**	**(587)**	**(1,470)**	**(1,318)**

32 Discontinued operations

On 1 January 2010, the subsidiary LITGRID AB 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 September 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.

32 Discontinued operations(cont'd)

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. The Board of the AB Lietuvos energija has decided to become the party of the Elektros tinklo paslaugos UAB and the Tetas UAB or the founder and (or) party of the transfer network services company established on the basis of these companies by investing the long-term assets and other assets of the Lietuvos energija AB or by disposing it differently seeking to participate in this company and (or) to establish this company, including 430,400 units of the Energetikos pajėgos UAB ordinary registered shares, which constitute 100% of the shares of this company.

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

	Group at 30 September 2010	Company at 30 September 2010	Group at 30 September 2009	Company at 30 September 2009
Sales revenue	3,640	-	-	939,632
Expenses	(9,317)	-	-	(949,535)
Operating profit	(5,677)	-	-	(9,903)
Income tax	(18)	-	-	-
Net profit (loss) from discontinued operations	**(5,695)**	**-**	**-**	**(9,903)**
Net profit (loss) from discontinued operations attributable to the Company's shareholders	(5,695)	-	-	(9,903)
Weighted average number of shares (units)	993,614,306	-	-	689,515,435
Basic and diluted earnings (deficit) per share (in LTL) from discontinued operations	**(0.00001)**	**-**	**-**	**(0.00001)**

For the purpose of the Group's statement of financial position, assets and liabilities of UAB Energetikos pajėgos, 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.

	30 September 2010	31 December 2010
Assets held for sale		
Intangible assets	30	-
Property, plant and equipment	5,041	-
Inventories	68	-
Accounts receivable	380	-
Cash and cash equivalents	1,253	-
Other assets	283	-
Total assets	**7,055**	**-**
Liabilities related to assets held for sale		
Trade payables	516	-
Advance amounts received	14	-
Other accounts payable and liabilities	428	-
Total liabilities	**958**	**-**

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 September 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	62,816	158,094	363,760	972,385
Visagino Atominė Elektrinė UAB	306	26,871	58,251	741
Associates of the Group	-	1,094	-	-
Total	**63,122**	**186,059**	**422,011**	**973,126**

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

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Disposals
Visagino Atominė Elektrinė UAB	306	26,871	58,251	741
Subsidiaries of the Company	16,099	41,685	567,762	515,147
Entities controlled by the Lithuanian Ministries of Economy and Energy	937	54,430	54,235	420,921
Associates of the Company	-	1,094	-	-
Total	**17,342**	**124,080**	**680,248**	**936,809**

The Group's transactions with related parties during 2009 and the balances arising on these transactions as at 30 September 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)	37,538	92,493	542,959	832,951
Associates of the Group	-	-	8,517	547
Total	**37,538**	**92,493**	**551,476**	**833,498**

The Company's transactions with related parties conducted during 2009 and the balances arising on these transactions as at 30 September 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)	37,517	92,402	542,748	832,033
Subsidiaries of the Company	1,507	43	3,034	173
Associates of the Company	-	-	8,517	547
Total	**39,024**	**92,445**	**554,299**	**832,753**

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 September 2010	Company at 30 September 2010	Group at 30 September 2009	Company at 30 September 2009
Employment-related payments	2,199	1,088	1,480	779
Termination benefits	89	89	509	329
Other material amounts	-	-	-	-
Number of key management personnel	31	10	22	7

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 September 2010	At 30 September 2009
Net profit (loss) attributable to the Groups shareholders	43,951	40,878
Weighted average number of shares (units)	993,614	689,515
Basic and diluted earnings (deficit) per share (in LTL)	0.04	0.06
Net profit (loss) from continuing operations attributable to the Group's shareholders	43,951	40,878
Weighted average number of shares (units)	993,614	689,515
Basic and diluted earnings (deficit) per share (in LTL) from continuing operations	0.04	0.06

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 September 2010**	**Company at 30 September 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Trade receivables	197,260	77,316	170,342	164,157
Other accounts receivable	38,572	50,012	77,568	78,014
Term deposits	47,099	-	17,160	17,000
Cash and cash equivalents	190,387	125,112	54,167	51,347
Loans and receivables	**473,318**	**252,440**	**319,237**	**310,518**
Other financial assets	-	-	-	-
Held-to-maturity investments	**-**	**-**	**-**	**-**
Total	**473,318**	**252,440**	**319,237**	**310,518**

Financial liabilities	**Group at 30 September 2010**	**Company at 30 September 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Borrowings	392,398	-	14,200	13,811
Finance lease liabilities	1,651	-	2,097	-
Trade payables	137,827	66,437	157,124	157,406
Other accounts payable	9,297	3,112	6,964	2,410
Financial liabilities carried at amortised cost	**541,173**	**69,549**	**180,385**	**173,627**

Credit risk

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

	Group at 30 September 2010	**Company at 30 September 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Financial assets	473,318	252,440	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 September 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 September 2010 were 2.29 and 1.77 respectively (31 December 2009: 1.57 and 1.54, respectively). The Company's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 30 September 2010 were 2.94 and 2.91 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 September 2010				
Loans and bonds	36,297	356,101	-	-
Finance lease liabilities	578	601	588	-
Trade and other payables	147,124	272	954	3,454
As at 31 December 2009				
Loans and bonds	14,200	-	-	-
Finance lease liabilities	532	503	1,062	-
Trade and other payables	177,459	-	-	-

Company	Within the first year	Within the second year	Within third – fifth years	After five years
As at 30 September 2010				
Loans and bonds	-	-	-	-
Trade and other payables	70,352	272	954	3,454
As at 31 December 2009				
Loans and bonds	13,811	-	-	-
Trade and other payables	172,551	-	-	-

Interest rate risk

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

According to the principles of financial risk management approved by the Group companies, interest expenses must be forecasted with sufficient precision for a period that is not shorter than the period of establishing the price cap of the electricity transmission service (three years). The loan portfolio of the Group companies is formed on the basis of the following principle: at least 50% of all the borrowings must be at the fixed interest rate, the remaining borrowings – at the floating interest rate.

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 September 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 September 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 On 28 July 2010, the Vilniaus energija UAB submitted an appeal to the Vilnius District Court by which it seeks to overrule the decision of the Vilnius District Court and to adopt a new decision to fully satisfy the suit of the Vilniaus energija UAB.

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 26 October 2010, Vilnius District court adopted decision by which satisfied in part the suit of the Kauno termofikacijos elektrinė UAB from the Lietuvos energija AB and adjudged a debt of LTL 647,000, interest of LTL 6,000 and annual interest of 6 percent for the adjudged sum from 20 March 2009 to the moment of full implementation of the court decision. In the manner and terms prescribed by laws the Lietuvos energija AB is planning to submit an appeal on this court decision.

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.

Legal proceedings (cont'd)

On 26 August 2010, the Nekilnojamojo turto fondas UAB suited the property valuers the Inreal UAB and the FMĮ Orion Securities UAB seeking to challenge the property valuation statement of the Lietuvos elektrinė AB. The Lietuvos elektrinė AB is participating in the case as a third interested party. The uncommon general meeting of the shareholder of the Lietuvos energija AB of 21 July 2010 has adopted a decision to increase the authorized capital of the Lietuvos energija AB by paying for the shares of the company using the shares of the Lietuvos elektrinė AB evaluated by the independent valuers. In this case, the Nekilnojamojo turto fondas UAB, as the shareholder of the Lietuvos energija AB, disagrees with the value of shares of the Lietuvos elektrinė AB as established by the valuers and challenges the statement of the assets value establishment and the share price. In case the court adopts a decision unfavourable to the company, the statement establishing value of shares of the Lietuvos elektrinė AB submitted by the Inreal UAB and the FMĮ Orion Securities UAB and the value of shared of the Lietuvos elektrinė AB established at the moment of valuation would be declared unlawful.

On 19 August 2010, Mr. Martinkonis, shareholder of the AB Lietuvos energija, submitted to the Vilnius 1 Circuit Court a revised suit on the declaration of the part of the decision of the general meeting of shareholders of the Lietuvos energija AB of 21 July 2010 null and annulment thereof. In his suit Mr. Martinkonis asks the court to declare null and to annul a part of the decisions adopted by the general meeting of shareholders of the Lietuvos energija AB. In case the court adopts a decision unfavourable to the company, the decisions of the general meeting of the shareholders on the becoming of the company a part and founder of other companies and the investment of appropriate assets would be annulled.

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

38 Post-balance-sheet events

On the amended version of the Articles of *the AB Lietuvos energija* and the establishment of the *LITGRID turtas AB*

Upon the implementation of the decision of the uncommon general meeting of the shareholders of the Lietuvos energija AB of 28 October 2010, which approved the separation of the Lietuvos energija AB, the amended version of Articles of the Lietuvos energija AB were registered within the Register of Legal Entities on 16 November 2010; and from the Lietuvos Energija AB, which will continue its activities after the separation, for the implementation of the separated part of the activities, a new company, the LITGRID turtas AB, which will pursue the transferred activities, was established.

On the implementation of the energy sector restructuring plan

On 8 October 2010, the Company purchased from the *Visagino elektrinė UAB* 6,227,836 (six million two hundred twenty seven thousand and eight hundred thirty-six) ordinary registered shares of the *Lietuvos elektrinė AB*, the nominal value of every being equal to 1 (one) litas, which amounts to approximately 4,27 percent of all of the shares of the *Lietuvos elektrinė AB*, and exceeds the limit of 95 percent.

Upon the conclusion of the share purchase agreement, on 13 October 2010 the Company purchased 22,468,259 (twenty-two million four hundred sixty-eight thousand and two hundred fifty-nine) newly issued ordinary registered shares of nominal value of 1 (one) litas of the Technologijų ir inovacijų centras UAB, the emission value of every of them being equal to the nominal value, i.e. 1 (one) litas, which amounts to approximately 50.66 percent of all shares of the Technologijų ir inovacijų centras UAB. The Company and the Technologijų ir inovacijų centras UAB, upon the conclusion of the share purchase agreement, have agreed that the Company s will pay for the newly issued ordinary registered shares of nominal value of 1 (one) litas of the Technologijų ir inovacijų centras UAB using monetary and non-monetary contributions. Thus, upon the conclusion of the mentioned share purchase agreement, the Company lost 1,500,000 (one million and five hundred thousand) intangible ordinary registered shares of nominal value of 1 (one) litas of the InterLinks UAB, which amounts to 100 percent of the InterLinks UAB authorized capital and 18,478 (eighteen thousand and four hundred seventy-eight) intangible ordinary registered shares of nominal value of 100 (one hundred) litas of the NT Valdos UAB (former the Kruonio investicijos UAB), which amounts to 78,26 percent of the Kruonio investicijos UAB authorized capital.

38 Post-balance-sheet events (cont'd)

Upon conclusion of the share purchase agreements on 14 October 2010 the Company purchased from the ELEKTROS TINKLO PASLAUGOS UAB 4,731,440 (four million seven hundred thirty one thousand and four hundred forty) newly issued ordinary registered shares of nominal value of 1 (one) litas of the ELEKTROS TINKLO PASLAUGOS UAB, which amounts to approximately 28.86 percent of all of the shares of the ELEKTROS TINKLO PASLAUGOS UAB and from the TETAS UAB 3,454,350 (three million four hundred fifty-four thousand and three hundred fifty) newly issued ordinary registered shares of nominal value of 1 (one) litas of the TETAS UAB, which amounts to approximately 60.97 percent of all of the shares of the TETAS UAB. The Company and the TETAS UAB, upon the conclusion of the share purchase agreement, have agreed that the Company shall pay for the newly established ordinary registered shares of nominal value of the TETAS UAB using monetary and non-monetary contributions. Thus, following the conclusion of the mentioned share purchase agreement, the Company transferred to the TETAS UAB 430,400 (four hundred thirty thousand and four hundred) intangible ordinary registered shares of the UAB Energetikos pajėgos, which amounts to 100 percent of the authorized capital of the Energetikos pajėgos UAB.

Upon conclusion of the share purchase contract on 21 October 2010, the Company purchased from the NT Valdos UAB (former the Krounio investicijos UAB) 1,276,667 (one million two hundred seventy-six thousand six hundred and sixty-seven) ordinary registered shares of nominal value of 100 (one hundred) of the NT Valdos UAB, which amounts to 41.1 percent of the all shares of the NT Valdos UAB.

On 28 October 2010, the Company, upon the implementation of the decision adopted in the general meeting of the shareholders on 28 October 2010, having concluded the sell-purchase contract of the stakeholder's rights, have lost all stakeholder's rights in connection with the Public Enterprise Respublikinis energetikų mokymo centras.

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