LIETUVOS ENERGIJA

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

To: Lithuanian Securities Commission 2011 05 02 No. SD-1011

Konstitucijos pr. 23
LT-08105 Vilnius

RESPONSIBLE PERSONS COFIRMATION

Following the Article 21 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we responsible persons Dalius Misiūnas, CEO of AB Lietuvos energija and Jovita Siniauskienė, director of Finance and administration department, hereby confirm that as we might know AB Lietuvos energija consolidated financial statement for the year 2010 has been prepared in accordance with the International Financial Reporting Standards adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and profit or losses of AB Lietuvos energija and annual report includes a fair review of the development and performance of the business and position of the company in relation to the description of main risks and contingencies faced thereby.

CEO Dalius Misiūnas

Director of Finance and administration department Jovita Siniauskienė

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Register of Legal Entities administered by the State Enterprise Centre of Registers, V. Kudirkos g. 18, LT-03105 Vilnius

LIETUVOS ENERGIJA AB

CONSOLIDATED AND COMPANY'S
FINANCIAL STATEMENTS FOR THE YEAR 2010
prepared according to International Financial Reporting
Standards, as adopted by the European Union,
presented together with the independent auditors' report

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The financial statements were approved by the General Director, Director of Finance and Administration Department and Chief Financier on 4 April 2011.

Dalius Misiūnas General Director	Jovita Sinlauskienė Director of Finance and Administration Department	Giedruolė Guobienė Chief Financier

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

Independent Auditor's Report

To the shareholders of Lietuvos energija AB

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial statements') of Lietuvos energija AB ('the Company') and its subsidiaries (collectively 'the Group') set out on pages 47 – 115 which comprise the stand alone and consolidated statements of financial position as of 31 December 2010 and the stand alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these Financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for Qualified Opinion – Disagreement

As disclosed in Note 19, as of 31 December 2010 the Group was not in compliance with certain debt financial covenants which permitted the lender to demand immediate repayment of borrowings totaling LTL 409 million. In our opinion, the classification of part of the borrowings as non-current is not compliant with International accounting standard (IAS) 1 *Presentation of Financial Statements*, which requires the liability to be classified as current at the reporting date unless the Group has an unconditional right to defer settlement of the liability for at least 12 month after the reporting date. Consequently, non-current borrowings should be reduced and current borrowings should be increased by LTL 409 million for the Group as of 31 December 2010.

Basis for Qualified Opinion – Scope Limitation

As of 31 December 2010 the Group has accounted for property, plant and equipment amounting to LTL 2,345 million, carried at cost less accumulated depreciation and impairment losses, using the estimated useful lives as disclosed in Note 2 to the financial statements. The Group is operating in an industry experiencing rapid technological change and therefore the estimated useful lives of property, plant and equipment should be reviewed on a regular basis as required by *IAS 16 Property, plant and equipment*. The Group acquired the above mentioned assets through the business combination under common control in 2010, and the review of useful lives of these assets has not been performed since 2004. In addition, as explained in Note 3 to the financial statements the Group has not estimated whether the recoverable amount of property, plant and equipment amounting to LTL 2,345 million is not less than its carrying amount as required by IAS *36 Impairment of assets*. Consequently, we were unable to obtain sufficient and appropriate evidence as to the carrying amounts of LTL 2,345 million Group's property, plant and equipment as of 31 December 2010.

According to the Company's and the Group's accounting policy, property, plant and equipment, except for property, plant and equipment of power plants, should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 3 and Note 5 to the Financial statements, the recent amendments to the legislation may have a significant adverse impact on the fair value and recoverable amount of the Company's and the Group's assets. The Company's and the Group's management was not able to reassess fair values of property, plant and equipment with the carrying amounts of LTL 2,142 million and LTL 2,145 million respectively as of 31 December 2009, or to carry out a proper impairment test, and, instead, recognised a decline in value of most items in 2009 using the indices of construction prices as published by the Lithuanian Department of Statistics. Due to spin-off of the transmission system operator activities, as of 31 December 2010 the carrying amounts of property, plant and equipment of the Company and the Group carried using revaluation method amounted to LTL 18 million and LTL 42 million, respectively. It has not been possible to estimate reliably the financial effects of the above described non-compliance to the values of property, plant and equipment as of 31 December 2009 and to the results of operations of financial years ended 31 December 2009 and 2010.

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Qualified Opinion

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion – Disagreement* paragraph and except for the possible effects of the matters described in the *Basis for Qualified Opinion - Scope Limitation* paragraph, the accompanying Financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2010 set out on pages 6 - 46 and have not noted any material inconsistencies between the financial information included in it and the audited Financial statements for the year ended 31 December 2010.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Director

Rimvydas Jogėla
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
6 April 2011

All amounts in LTL'000 unless stated otherwise

LIETUVOS ENERGIJA AB AND ITS SUBSIDIARIES

**CONSOLIDATED ANNUAL REPORT
FOR THE FINANCIAL YEAR 2010**

This Consolidated Annual Report of Lietuvos energija AB (hereinafter referred to as the "Company" or "Lietuvos energija AB") and its subsidiaries (the Company and its subsidiaries hereinafter referred to as the "Group") has been prepared by the administration of the Company and approved by the Board in accordance with Section V, Article 25 of the Republic of Lithuania Law on Financial Statements of Companies and Section III, Article 9 of the Republic of Lithuania Law on Consolidated Financial Statements of Companies as well as according to resolution of the Securities Commission of the Republic of Lithuania "Concerning Approval of the Regulations on the Preparation and Submission of Periodic and Additional Information" No. 1K-3 of 23 February 2007 as amended on 14 February 2008.

1 General Information about the Group

1.1 Accounting period covered by the Consolidated Annual Report

The Consolidated Annual Report of the Group has been prepared for the financial year 2010.

1.2 Companies forming the Group and contact details thereof (name, legal form, date and place of registration, business ID, registered office address (and address of place of business if different), telephone and fax numbers, email and website addresses)

As of 31 December 2009, the Company had direct control over the following subsidiaries: Energetikos pajėgos UAB, Kauno energetikos remontas UAB, Kruonio investicijos UAB, LITGRID AB, Energijos tiekimas UAB, InterLinks UAB, and Public Institution National Energy Training Centre (VšĮ Respublikinis energetikų mokymo centras). These subsidiaries were wholly-owned by the Company (100% of shares). The Company also held the majority of votes in Gotlitas UAB indirectly, through Kauno energetikos remontas UAB as well as significant influence over Enmašas UAB and the majority of votes in BALTPOOL UAB indirectly, through LITGRID AB.

As of 31 December 2010, the Company has direct control over the following subsidiaries: Lietuvos elektrinė AB, Kauno energetikos remontas UAB, Energijos tiekimas UAB and Data Logistics Center UAB. Subsidiaries Kauno energetikos remontas UAB, Energijos tiekimas UAB and Data Logistics Center UAB are wholly owned by the Company (100% of shares). The Company holds 95.54% of shares in Lietuvos elektrinė AB.

Apart from the subsidiaries, the Company also takes part in the control of the following associated companies: Geoterma UAB (23.44% of shares), Nordic Energy Link AS (25%), Technologijų ir inovacijų centras UAB (20.72%), and NT valdos UAB (41.10%). Indirectly, through Kauno energetikos remontas UAB, the Company holds the majority of votes (100%) in Gotlitas UAB and has significant influence over Enmašas UAB (33.33% of shares).

The Group's contact details are provided in the table below:

Name	Legal form	Date and place of registration	Company ID	Registered office	Telephone and fax No., email
Lietuvos energija AB	Public company	1995-12-04 Register of Enterprises of the Republic of Lithuania	220551550	Elektrinės g.21, LT-26108 Elektrėnai	Tel. +370 528 33207 Fax +370 528 33272 www.lietuvosenergija.lt; info@lietuvosenergija.lt
Lietuvos elektrinė AB	Public company	2001-12-31 Register of Enterprises of the Republic of Lithuania	110870933	Elektrinės g.21, LT-26108 Elektrėnai	Tel. +370 528 39533 Fax +370 528 39733 www.lelektrine.lt; info@lelektrine.lt
Kauno energetikos remontas UAB	Private company	2000-04-27 Register of Enterprises of the Republic of	135617795	Chemijos g. 17, LT-51331 Kaunas	Tel. +370 37 456702 Fax +370 37 452948 www.ker.lt; ker@ker.lt

All amounts in LTL'000 unless stated otherwise

		Lithuania			
Data Logistics Center UAB	Private company	2010-09-01 Register of Enterprises of the Republic of Lithuania	302541281	A.Juozapavičiaus g. 13, LT-09311 Vilnius	Tel. +370 527 82078 Fax +370 527 82233 www.datalogistics.lt info@datalogistics.lt
Energijos tiekimas UAB	Private company	2009-10-21 Register of Enterprises of the Republic of Lithuania	302449388	P.Lukšio g.1, LT-08221 Vilnius	Tel. +370 700 55088 Fax +370 5 278 27 50 www.etiekimas.lt info@etiekimas.lt

A number of significant changes took place in the Group structure in 2010. For the purposes of its consolidated financial statements for 2010, the Company consolidated the 2010 financial statements of its subsidiaries. The table below presents information on the companies and the periods covered by consolidation:

Name	Legal form	Date and place of registration	Company ID	Consolidation period
Lietuvos energija AB	Public company	1995-12-04 Register of Enterprises of the Republic of Lithuania	220551550	January – December 2010
Lietuvos elektrinė AB	Public company	2001-12-31 Register of Enterprises of the Republic of Lithuania	110870933	September – December 2010
Energetikos pajėgos UAB	Private company	2003-11-26 Register of Enterprises of the Republic of Lithuania	136046431	January – October 2010
Kruonio investicijos UAB	Private company	2007-01-18 Register of Enterprises of the Republic of Lithuania	300634954	January – October 2010
Kauno energetikos remontas UAB	Private company	2000-04-27 Register of Enterprises of the Republic of Lithuania	135617795	January – December 2010
Gotlitas UAB	Private company	2003-09-30 Register of Enterprises of the Republic of Lithuania	136031358	January – December 2010
Litgrid AB	Public company	2009-10-22 Register of Enterprises of the Republic of Lithuania	302564383	January – November 2010
Baltpool UAB	Private company	2009-12-10 Register of Enterprises of the Republic of Lithuania	302464881	January – November 2010
Energijos tiekimas UAB	Private company	2009-10-21 Register of Enterprises of the Republic of Lithuania	302449388	January – December 2010
Data Logistics center UAB	Private company	2010-09-01 Register of Enterprises of the Republic of Lithuania	302541281	September – December 2010
InterLinks UAB	Private company	2008-07-29 Register of Enterprises of the Republic of Lithuania	301817944	January – October 2010

All amounts in LTL'000 unless stated otherwise

Tetas UAB	Private company	2005-12-08 Register of Enterprises of the Republic of Lithuania	300513148	November 2010
Elektros tinklo paslaugos UAB	Private company	2004-12-08 Register of Enterprises of the Republic of Lithuania	300072351	November 2010
Viešoji įstaiga Respublikinis energetikų mokymo centras	Public institution	2001-05-16 Register of Enterprises of the Republic of Lithuania	111966614	January – October 2010

1.3 Type of core activities of the Group companies

Company	% of shares in the Group	Core activities
Lietuvos energija AB	-	Generation, import and export of electricity, wholesale trade in electricity, electric power system services
Lietuvos elektrinė AB	95.54%	Generation of electricity, electric power system services
Kauno energetikos remontas UAB	100%	Repairs of energy equipment, manufacture of metal structures
Data Logistics Center UAB	100%	Information technology services
Energijos tiekimas UAB	100%	Independent supply of electricity

1.4 Agreements concluded by the Issuer with financial brokers and/or credit institutions providing investment services and/or carrying out investment activities

On 29 December 2006 the Company and AB bankas Hansabankas (currently: Swedbank AB) concluded an agreement on accounting for securities of the Issuer and management of individual securities accounts. The original term of the agreement was 31 December 2008 and was extended until 31 December 2010 at the end of 2008.

On 21 December 2010 the Company and Swedbank AB concluded an agreement on accounting for securities of the Issuer. The term of validity of the agreement is 31 December 2011, with an option of renewal for another year until 31 December 2012.

1.5 Trade in securities issued by the Group companies in regulated markets (name of regulated market, number of securities traded)

Shares of the Company are traded in NASDAQ OMX Vilnius securities exchange (hereinafter referred to as "VVPB"). The issued shares of the Company are listed on the VVPB Additional Trading List. As of 31 December 2009 the Company had issued 689,515,435 ordinary registered shares of one Litas par value each (ISIN code LT0000117681).

On 15 September 2010, on completion of the procedure for the increase in the authorised capital of the Company, a new emission was added to the previous emission of ordinary registered shares, namely, an emission of 304,098,871 ordinary registered shares (ISIN code LT0000117681). Since 15 September 2010, the share issue of the Company consists of 993,614,306 ordinary registered shares of LTL 1 (one Litas) par value each.

Upon entries into accounts of ordinary registered shares of the Company made on 25 November 2010, an emission of 504,331,380 ordinary registered shares in LITGRID TURTAS AB was separated from the previously registered emission of 993,614,306 ordinary registered shares.

As of 31 December 2010, the Company had issued 489,282,926 ordinary registered shares of LTL 1 par value (ISIN code LT0000117681).

Lietuvos elektrinė AB, the Company's subsidiary, had issued 145,800,689 ordinary registered shares of LTL 1 par value as of 31 December 2010.

1.6 Overview of position, operations and development of the Group companies. Description of main risks and uncertainties encountered by the Group companies

Lithuania is consistently implementing a reorganisation of its energy sector by separating generation, transmission and distribution activities in accordance with the third energy package adopted by the Commission on 19 September 2007 and approved by the European Parliament on 22 April 2009 (hereinafter referred to as the "EU Third Energy Package"). The reorganisation has had a significant impact on the Company's activities in 2010.

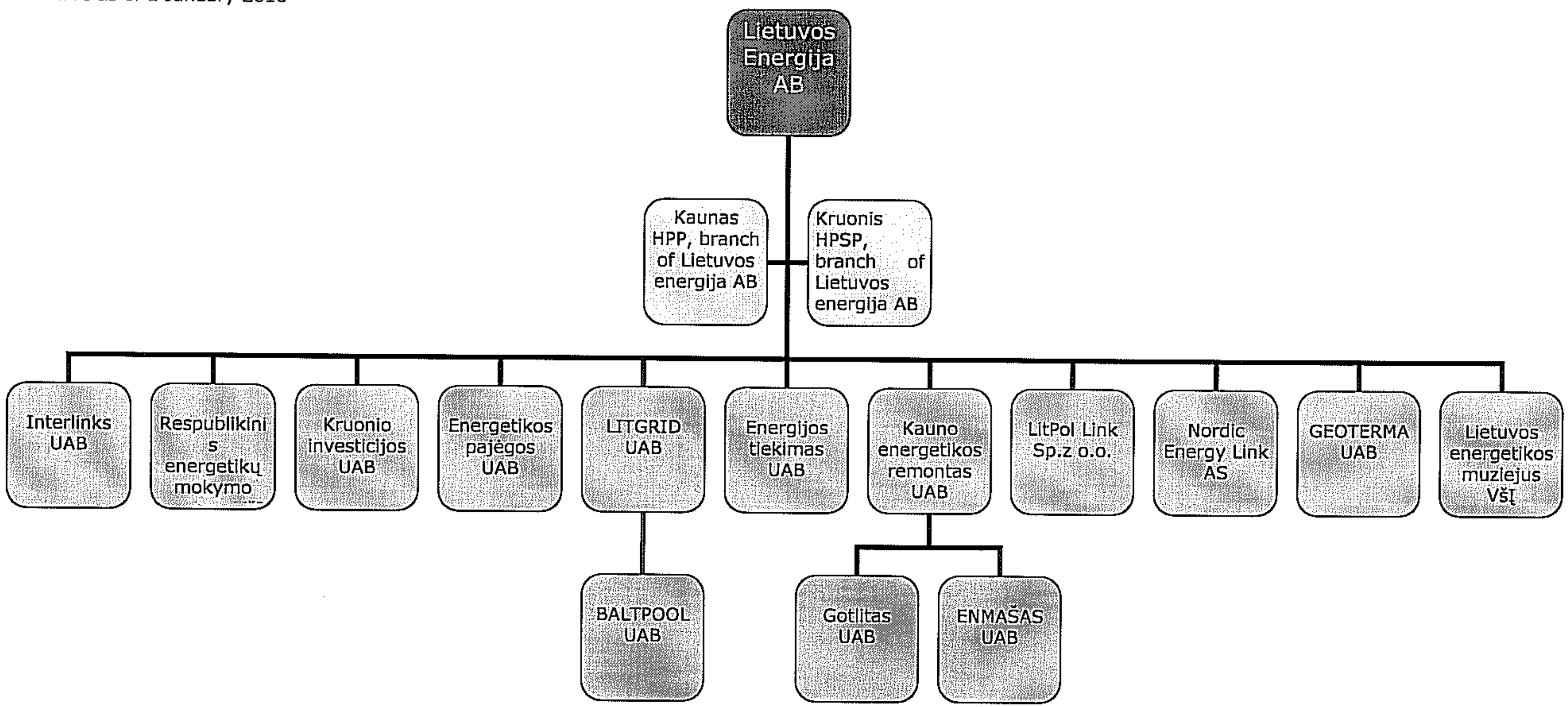
Having regard to the adoption of decision on liquidation of LEO LT, AB on 4 December 2009, the general meeting of shareholders of the Company held on 29 January 2010 resolved to suspend the spin off of the Company's branches – Kaunas Hydroelectric Power Plant ("Kaunas HPP") and Kruonis Hydro Pumped Storage Plant ("Kruonis HPSP"). On 29 January 2010, the general meeting of shareholders of Lietuvos energija AB adopted a decision not to approve the terms and conditions of spin-off prepared by the Board of the Company on 29 September 2009 and to terminate the procedure of spin-off of the Company's branches, i. e. Kaunas HPP and Kruonis HPSP.

Visagino atominė elektrinė UAB acquired the ordinary registered shares of the Company from LEO LT, AB under liquidation. The acquisition of these shares increased the authorised capital of Visagino atominė elektrinė UAB.

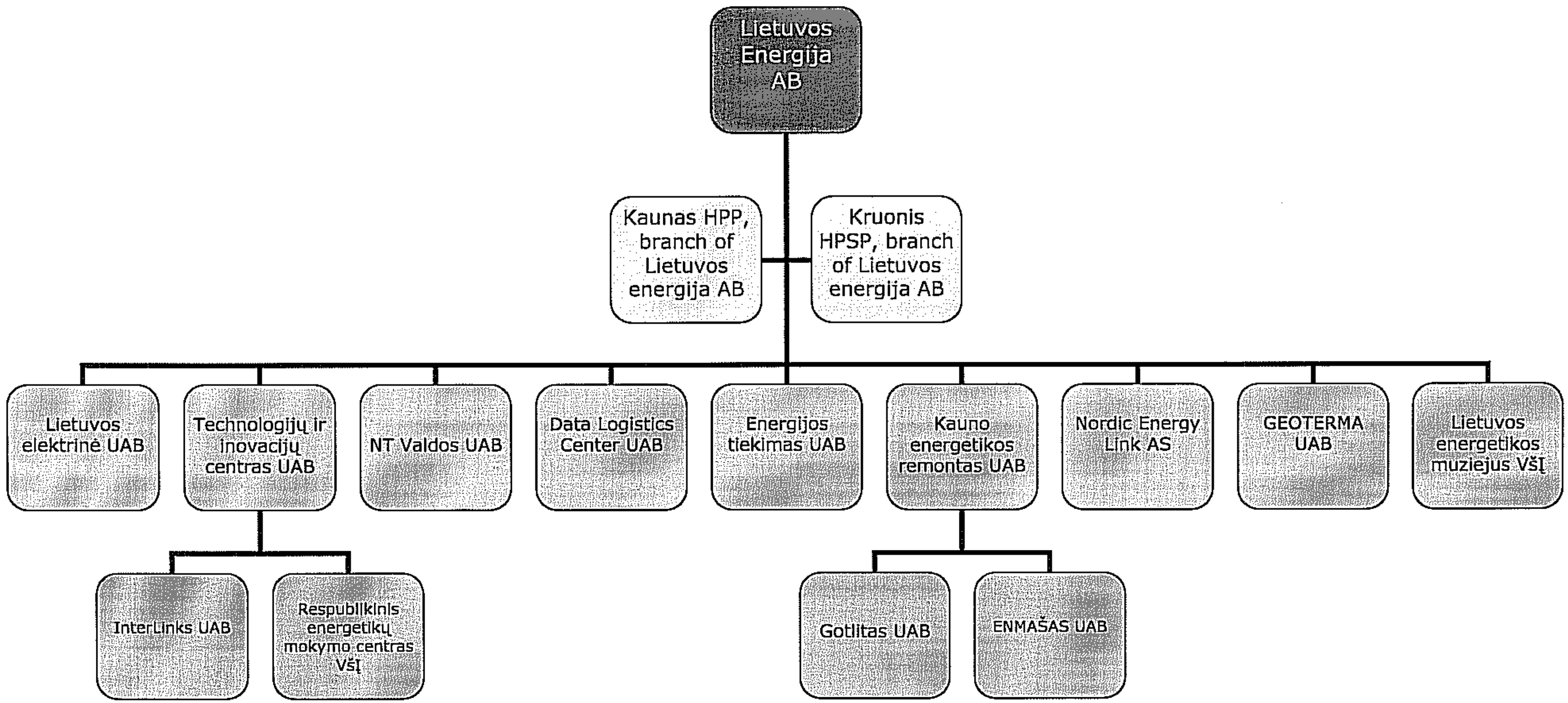
On 14 May 2010, the general meeting of shareholders of the Company charged the Board with the responsibility for preparing the spin-off terms and conditions whereby the operations and assets related to the transmission activities are separated from Lietuvos energija AB. On 1 December 2010 the transmission system operator's activities and the transmission system's assets were separated from the Company. Lietuvos energija AB became a company operating in the areas of electricity generation, supply, import, export and trade.

On 18 August 2010, the controlling block of shares in Lietuvos elektrinė AB was transferred to the Company. Activities not related to the electricity generation and supply were separated from the Company's core operations – electricity generation and trade, transferring them to Data Logistics Center UAB, NT valdos UAB and Technologijų ir inovacijų centras UAB.

Structure as of 1 January 2010



Structure as of 1 January 2011



1.6.1 Transmission system operator's activities

Performing the functions of a national transmission system operator was the main activity of the Company prior to the date when the State Commission on Prices and Energy Control adopted a decision to terminate the validity of the licence. The decision became effective at the beginning of 2010.

Acting in accordance with the provisions of the EU Third Energy Package and aiming at increasing efficiency of the energy system, ensuring transparency of the sector and protecting consumers' interests, the power sector was divided into the four components - electricity generation, electricity transmission, electricity distribution, and servicing of companies in the sector. Since 1 January 2010, LITGRID AB has been operating as the market transmission system operator.

1.6.2 Market operator's activities

In 2010, a free trade electricity exchange undertook activities of a market operator. BALTPOOL UAB acts as an administrator of these activities since 1 January 2010.

1.6.3 Generation and export of electricity and system services in the energy sector

1.6.3.1 Electricity trade and balancing services

Upon closure of the Ignalina Nuclear Power Plant (Ignalina NPP) from 1 January 2010, the structure and principles of operation of the electricity market have changed considerably: hourly trade was introduced in the wholesale market, balancing responsibilities were imposed on customers, and the electricity exchange started operating.

On 28 December 2009 the Company was issued a licence of an independent supplier. After concluding an agreement with the transmission system operator in 2010, the Company started providing a balancing electricity service to both public and independent suppliers. Furthermore, the required amount of electricity was sold to the suppliers together with the balancing service. The Company generated the required amounts of electricity at Kaunas HPP and Kruonis HPSP and purchased from other suppliers and producers under contracts, imported electricity and traded in the Lithuanian Electricity Exchange. In the accounting period, the Company bought the electricity generated at wind plants connected to the transmission network (supported generation) and sold it to public suppliers. In 2010, the Company sold 5.062 TWh of electricity to the domestic market (public suppliers and other independent suppliers).

1.6.3.2. Electricity generation

The Company holds electricity generation permits of unlimited duration. The generation takes place at Lietuvos elektrinė AB (see 1.6.4 below) and at two power plants owned by the Company, i. e. Kruonis HPSP and Kaunas HPP, at which 0.755 TWh and 0.446 TWh of electricity was generated, respectively. The electricity from these plants is sold to public and independent suppliers and is exported and sold in the Lithuanian Electricity Exchange. Furthermore, under agreements with the TSO the Company trades in the regulation electricity and provides system services to the TSO.

1.6.3.3. Electricity import and export

The Company holds electricity import and export permits of unlimited duration. In 2010, the Company imported electricity from Belarus, Estonia and Latvia. In the reporting period electricity was sold to Finland, Estonia and Latvia. In 2010, the Company exported 0.186 TWh of electricity and imported 1.172 TWh of electricity.

1.6.4 Subsidiaries

Core activities of the Company's subsidiary Lietuvos elektrinė AB include the generation of electricity and thermal energy. Upon closure of Unit 2 of Ignalina NPP, Lietuvos elektrinė AB has become the key electricity producer in the country. In 2010, Lietuvos elektrinė AB generated 1.9 TWh of electricity, which accounts for 20% of the national requirement.

The Company acquired shares in Lietuvos elektrinė AB on 18 August 2010. These shares were used by Visagino atominė elektrinė UAB to pay for the increase in the Company's authorised capital.

Core activities of the Company's subsidiary Kauno energetikos remontas UAB include the diagnostics, modernisation, repairs and installation of energy equipment, manufacture of spare parts for energy equipment, manufacture of metal structures for energy and other industrial installations, manufacture of spare parts for boilers and engines, and manufacture of hermetic oil transformers.

Energijos tiekimas UAB, formed at the end of 2009, has been operating since 1 January 2010. Core activities of this subsidiary include the independent supply of electricity including planning, forecasting, balancing, purchase, sale, import and export and other directly related activities.

On 1 September 2010, the Company established a subsidiary Data Logistics Center UAB. Its activities include data centre services, data transmission services, rent of optic fibres and other telecommunications services. The company started active operations in December 2010.

1.6.5 *Investments in non-current assets*

The Company invested LTL 72.7 million in non-current tangible assets in 2010.

In 2010, investment areas remained the same as in previous years, i. e. reconstruction and construction of transmission network, modernisation of transmission lines, reconstruction and development of power plants, updating of IT technologies, and other non-current assets.

Investments related to the activities of a transmission system operator account for the largest part of the Company's investments. The Company's investments in the construction and reconstruction of transformers and substations of the transmission network accounted for 41% and in the modernisation of transmission lines for 27% of its total investments. Under an agreement concluded by the Company with LITGRID AB as the transmission system operator, investments in the system's development are managed, prepared and controlled by the TSO itself, however, the investments must be agreed on with the Company.

In 2010, the Company made investments in the power plants; implementation of the Kaunas HPP reconstruction project was continued. Investments in the Kaunas HPP and Kruonis HPSP totalled LTL 15.4 m in 2010.

Investments in Lietuvos elektrinė AB account for a significant part of the Group's investments. Since September 2010, when Lietuvos elektrinė AB became subsidiary of the Company, until the end of the year Lietuvos elektrinė AB's investments amounted to LTL 254.7 million. The majority of them were earmarked for the construction of a combined cycle gas turbine unit.

1.6.6 *Business plans and projections of the Group companies*

Business plans and projections for 2011 have been made taking account of a number of factors such as changes in the Group's structure, the separation of the activities of the TSO, IT and asset management, the electricity requirement by the public supplier's customers and other customers, the projected scope of generation at Kaunas HPP, Kruonis HPSP and Lietuvos elektrinė AB, and changes in the regulations governing the public-interest services (PIS).

It is anticipated that the Group's financial performance in 2011 will be affected by the changes in the Company's and Group's operations and the lower income from PSO.

The estimated amount of the Group's investments is approx. LTL 260 million. Construction of the combined cycle gas turbine unit will be continued in 2011, which will account for 86% of total investments.

2 Risks Related to the Issuer's Activities

2.1 Political and economic risks

According to Directive of the European Parliament and the Council of 13 July 2009 No. 2009/72/EC concerning common rules for the internal market in electricity and the Concept of the Law on Electrical Energy System approved by the Government of the Republic of Lithuania, vertically-integrated electricity companies must be reorganised in such a way that their management and control would be consistent with the provisions laid down in the Directive.

Under the plan on the restructuring of the national electrical power sector, the grouping of the companies of the sector into four conventional units - generation, transmission, distribution and servicing was started. The generation unit has been formed on the basis of Lietuvos Energija AB. Upon transfer of control of Lietuvos elektrinė AB, Lietuvos energija AB became a power generation company having control over Lietuvos elektrinė AB as a subsidiary and over Kruonis HPSP and Kaunas HPP as two separate branches. Therefore, the State Commission on Prices and Energy Control recognised in its resolution No. O3-219 of 15 October 2010 that Lietuvos energija AB has, together with a related party Lietuvos elektrinė AB, more than 25% of the market in the tertiary and secondary reserves of active power and more than 25% of the market in electricity sold by electricity producers to domestic market (domestic consumption). Therefore, the State Commission on Prices and Energy Control applies the electricity price ceilings and sets the active power reserve prices for Lietuvos energija AB together with its related party Lietuvos elektrinė AB.

Cost price of electricity generated by the Company can be influenced by fluctuations in fuel prices.

Since 2010 the functioning of the electrical power sector is based on the principles of competition and market relations, which can affect the operations of the Company.

2.2 Financial risks

The Group companies are exposed to financial risks in their operations including credit risk, liquidity risk and market risk (foreign currency risk, interest rate risk with respect to fair value and cash flows, securities risk). By managing these risks the Group companies seek to minimise the effects of factors that could potentially have an adverse impact on the financial results of the Group and the Company.

2.2.1 Credit risk

Credit risk related to accounts receivable is limited as key customers of the Company are reliable ones. Credit risk is managed by assessing and monitoring customers' creditworthiness on a regular basis.

Credits risk related to cash at banks is limited as both the Group and the Company conduct operations through banks having high credit ratings given by foreign rating agencies.

2.2.2 Liquidity risk

Liquidity risk is managed by planning the movements of cash flows of the Group companies. Cash flow forecasts are made in order to minimise liquidity risk. Overdraft agreements and credit line agreements are used to manage the risk of delayed payment of accounts receivable and the risk of temporary discrepancies in cash flows (incoming and outgoing).

The Group's liquidity ratio (current assets/current liabilities) and quick ratio (current assets-inventories/current liabilities) were 1.64 and 1.16 respectively as of 31 December 2010. The Company's liquidity ratio (current assets/current liabilities) and quick ratio (current assets-inventories/current liabilities) were 2.68 and 2.67 respectively as of 31 December 2010.

2.2.3 Market risk

Income and cash flows of the Group companies are influenced by fluctuations of market interest rates as all the loans of the Group companies as of 31 December 2010 are variable interest rate loans. Increase in interest-rate risk mainly depends on long-term loans. The variable interest rates are linked to LIBOR EUR. The Company has made loans to the Group companies at variable interest rates. The Company had no loans as of the end of 2010.

The Group companies have concluded no interest rate swaps in 2010.

2.2.4 Foreign currency risk

In order to manage foreign currency risk the Group concludes credit agreements in EUR or LTL only. The currencies of purchase and sale agreements concluded by the Company are EUR and LTL as well.

On 2 February 2002 the Litas was pegged to the Euro. Therefore, equity of the Company and of the Group is not significantly affected by currency exchange rate fluctuations.

The Group companies are not exposed to significant concentration of foreign currency risk, therefore, no financial instruments were used for managing foreign currency risk in 2010.

2.2.5 Securities risk

In 2009 the Company sold the bonds issued by the Lithuanian and Finnish governments that the Company had acquired earlier, therefore, it is not exposed to any risk related to securities' prices.

2.2.6 Technical and production risks

A reconstruction of Kaunas HPP was completed in 2010, which enabled the Company to increase the power plant's reliability and efficiency, to cut maintenance costs and to ensure safety at work according to the EU Directives.

The state-of-the-art equipment installed at the power plant ensures successful start-up of the hydroelectric units and recovery of the energy system in case of an emergency in the energy system and Kaunas HPP would be the first to start the recovery operations. The reconstruction of the Kaunas HPP has been completed but the equipment is still covered by warranty, which ensures timely elimination of potential failures.

An assessment of all risks was made in the designing of the hydro pumped storage plant. A threats and risks analysis was performed for Kruonis HPSP in 2004. In 2005-2007, the automated hydro units monitoring system was implemented to ensure continuous supervision over the operation of the Kruonis HPSP.

2.3 Environmental risk

The main environmental requirements set for the Company include the use of environmentally friendly materials, ensuring that the energy installations and structures match the environment, and ensuring that changes in the water level in the Kaunas Lagoon and the Nemunas River downstream the Kaunas HPP are kept within the permissible range. At present the Company is fully compliant with the set environmental requirements.

Reconstruction of the Kaunas HPP has reduced the environmental risk considerably as hazardous oil previously used in the installations was removed and replaced with environmentally-friendly oil. New design of hydroturbines ensures safe operations (prevents the release of oil into the Nemunas River). Any litter that comes with the river water is collected by the new litter catching equipment and removed for recovery.

3 Analysis of Financial and Non-Financial Performance Results of the Group. Environmental and Personnel Information

3.1 Analysis of financial results

3.1.1 Analysis of financial indicators

The table below presents financial results of the Company and Group companies.

	Company		Group	
	2010	**2009**	**2010**	**2009**
Financial results, LTL'000				
Sales revenue	981 930	265 224	1 237 100	265 224
Income from other activities	674	396	40 253	21 524
EBITDA (earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current assets impairment losses*)	105 379	90 774	178 475	88 191
Operating profit	82 363	86 351	124 136	81 479
Net profit**	45 965	28 994	124 004	20 583
Cash flows from operations	135 021	201 567	295 137	203 256
Financial liabilities	0	13 811	549 888	16 297
Investments***	72 741	107 641	327 531	108 455
Financial structure (ratios):				
Liabilities / equity	0,09	0,20	0,95	0,21
Financial liabilities / equity	0,00	0,01	0,29	0,01
Financial liabilities / assets	0,00	0,00	0,15	0,01
Loan coverage ratio				
Loan coverage ratio EBIT (earnings from continued operations before tax + interest costs – interest income – dividends received)/ (interest costs + loans repaid in current year)	5,80	2,66	5,72	2,50
Interest coverage ratio				
EBIT (earnings from continued operations before tax + interest costs – interest income – dividends received) / interest costs)	182,20	60,65	79,94	53,57
Margins and profitability:				
Return on equity (net profit*/equity) (%)	3,19%	1,09%	6,60%	0,78%
Return on assets (net profit*/assets) (%)	2,93%	0,91%	3,39%	0,64%

* Excluding impairment of investments in associated companies and subsidiaries and excluding result of discontinued operations
** Net profit including discontinued operations
*** Investments include acquisitions of non-current tangible assets.

Profitability indicators are not high but this is determined by the specific character of the Company's operations: core activities of the Company are regulated by setting the price for the transmission service and this price included the minimum profit margin.

3.1.2 *Statement of financial position*

As of 31 December 2010 the Company had no financial liabilities. The Group's financial liabilities amounted to LTL 549.9 million as of 31 December 2010. Loans payable by Lietuvos elektrinė amounted to LTL 535 million. Liabilities of Kauno energetikos remontas UAB were LTL 1.36 million as of the period end, consisting of financial lease liabilities for equipment and vehicles. Financial liabilities under overdraft agreement concluded by of Energijos tiekimas UAB amounted to LTL 13.5 million as of the year end.

As of 31 December 2010 the Company had made a loan of LTL 3 million to Interlinks UAB.

The structure of the balance sheet of the Company and the Group has changed in 2010 compared with 2009 as a result of separation of the Company's activities in the process of reorganisation of the energy sector and changes in the structure of the Group itself.

3.1.3 *Statement of comprehensive income*

Revenue

The structure of the Company's revenue has changed considerably due to transfer of operations to subsidiaries. The Company's revenue in 2010 totalled LTL 982.6 million, with income from electricity sale and export and income from balancing energy accounting for the largest part of this amount.

Revenue earned by the Company in 2010 from rent and servicing of transmission network, IT infrastructure and servicing, real estate lease, and accommodation are included in revenue from discontinued operations. These types of activities were included in discontinued operations also in 2009. As the electricity trade arrangements have changed in 2010 and trade is conducted through a market operator, revenue from sale of electricity in 2009 is also included in discontinued operations. The Company's sales income in 2009 includes electricity exports and imports.

Costs

Operating costs have also undergone changes along with Changes in the Company's income structure. The share of operating costs attributed to the operations separated from the Company is included in discontinued operations.

In 2010, costs of the Company amounted to LTL 900.2 million and costs of the Group to LTL 1,153.2 million. Costs of purchasing electricity or related services and of gas for the generation of electricity account for the largest share of costs of the Company (LTL 830.3 million or 92.2%) and of the Group (LTL 1,006.6 million or 88.1%). The Company's and the Group's depreciation and amortisation costs were LTL 23.2 million and LTL 35.8 million.

Operating costs of the Group excluding purchases related to electricity and its generation, depreciation and amortisation costs, and tradable emission rights revaluation costs amounted to LTL 86.9 million in 2010 including LTL 46.8 million as costs incurred by the Company.

Profit

Gross profit of the Group from continued operations amounted to LTL 125.04 million and net profit including discontinued operations was LTL 124 million in 2010 (determined according to the International Financial Reporting Standards, IFRS).

The Company earned net profit of LTL 46 million including discontinued operations. Lietuvos elektrinė AB earned LTL 16.1 million during September – December 2010. Kauno energetikos remontas UAB incurred a loss of LTL 7.2 million in 2010, Energijos tiekimas UAB earned net profit of LTL 4.6 million, and Data Logistics Center UAB net profit of LTL 0.6 million. LITGRID AB, the Company's subsidiary, earned net profit of LTL 58.5 million during the period prior to the spin-off, i. e. in January – November 2010. Other Group companies incurred loss of LTL 5.9 million during the consolidation periods referred to in Sub-section 1.2. The companies' figures are disclosed inclusive of intra-Group services.

3.1.4 Statement of cash flows

Net cash flows from operations in 2010 amounted to LTL 135 million for the Company and LTL 295 million for the Group. In 2009, these figures were LTL 201.6 million and LTL 203.3 million respectively.

In 2010, the Group's net cash flows from investments amounted to LTL 316.4 million (2009: LTL 191.3 million) and its net cash flows from financial activities amounted to LTL 27.4 million (2009: LTL 28.3 million).

The net cash flows from financial and investment activities have increased in 2010 compared with 2009: by LTL 18.2 million for the Company and LTL 6.2 million for the Group.

3.1.5 Main characteristics of the internal control system and the risk management system

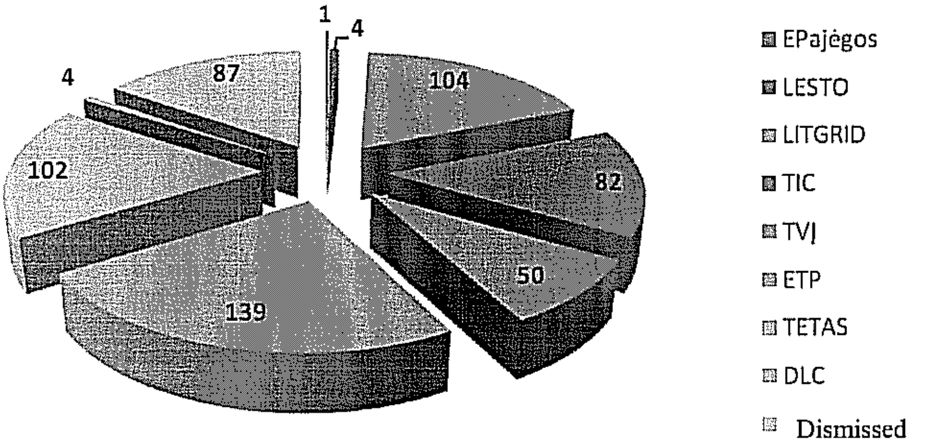
Every month the Company receives financial reports from its subsidiaries for analysis. The Company consolidates financial statements of its subsidiaries. The Chief Financier of the Company is responsible for the proper drawing up and consolidation of financial statements and for the timely and correct collection of data from the Group companies. The drawing up of the Company's financial statements and the internal control and financial risk management systems are managed according to the provisions of relevant legal acts.

3.2 Personnel

At the end of 2009, 1227 persons were employed by the Company and its subsidiaries (Energetikos pajėgos UAB, VšĮ Respublikinis energetikų mokymo centras, Kruonio investicijos UAB, Litgrid UAB, Baltpool UAB, Energijos tiekimas UAB, InterLinks UAB and Kauno energetikos remontas UAB) as well as in the companies which the Company controlled indirectly (Gotlitas UAB) or had significant influence over (Enmašas UAB).

Acting in accordance with the provisions of the EU Third Energy Package and aiming at increasing efficiency of the energy system, ensuring transparency of the sector and protecting consumers' interests, the power sector was divided into the four components - electricity generation, electricity transmission, electricity distribution, and servicing of companies in the sector.

In the process of reorganisation, under a trilateral agreement, employees were transferred from Lietuvos energija AB to the following companies, retaining the service record and fulfilling the employer's obligations: Energetikos pajėgos UAB, LESTO AB, Litgrid AB, Energijos tiekimas UAB, Data Logistics Center UAB, Tetas UAB, Elektros tinklo paslaugos UAB, and Turto valdymo įmonė UAB.



3.3 Protection of the environment

Lietuvos elektrinė AB and the Company's branches, i. e. Kaunas HPP and Kruonis HPSP, seek to respect the environment in their operations, sparingly use natural resources, introduce new environmentally friendly technologies into production processes, comply with the environmental laws and regulations, and implement preventive measures to reduce adverse impact upon the environment in a professional manner.

Environmental issues most relevant to the Company: safe use of substances dangerous to the environment, waste management, matching of energy equipment and structures to the landscape, ensuring that changes in the water levels in the Kaunas Lagoon and the Nemunas River downstream the Kaunas HPP are within the permissible range etc.

3.3.1 Waste management

Waste generated by Lietuvos elektrinė AB and the Company's branches, i. e. Kaunas HPP and Kruonis HPSP, is managed by hiring companies holding licences to carry out waste management activities. The main types of hazardous waste include residual liquid fuel ash, insulation materials containing asbestos, oil-contaminated cloth, developers, filter materials, fluorescent lamps, oils etc.

In 2010, 10.55 t of hazardous waste and 68 t of ferrous metal scrap were collected for recycling from Lietuvos elektrinė AB. Domestic waste collected in the territory of the company is removed by a special-purpose entity under a contract; approx. 400 m^3 of domestic waste was generated in 2010. Paper and cardboard waste is sold to a recycling company.

In the same year, 8.4 t of hazardous waste and 7.9 t of ferrous metal scrap were collected for recycling from the Kaunas HPP branch. Domestic waste collected in the territory of the company is removed by a special-purpose entity under a contract; approx. 8 m^3 of domestic waste was generated in 2010. Paper and cardboard waste is sold to a recycling company.

In the same year, 12.78 t of hazardous waste and 8.48 t of ferrous metal scrap were collected for recycling from the branch Kruonis HPSP branch. Domestic waste collected in the territory of the company is removed by a special-purpose entity under a contract; approx. 69 m^3 of domestic waste was generated in 2010. Paper and cardboard waste is sold to a recycling company.

3.3.2 Wastewater management

Compliance with the permissible limits of pollution by continuous pollution sources (sewage) established in the Integrated Pollution Prevention and Control Permit and the Wastewater Management Regulations is monitored on a regular basis. Maintenance of stormwater and domestic wastewater treatment facilities is carried out regularly (regeneration and change of filters, removal of sludge etc.), with the maintenance services bought from specialised companies.

3.3.3 Preventive measures to ensure compliance with environmental requirements

Lietuvos elektrinė AB and the Company's branches, i. e. Kaunas HPP and Kruonis HPSP, comply with the requirements for the air, surface waters, groundwater and soil pollution monitoring and protection set in the Integrated Pollution Prevention and Control Permits. Calculations of pollution from continuous and mobile pollution sources, recording of taxable products and taxable packaging, recording of chemical substances, and internal auditing of chemicals and preparations used and of waste and wastewater generated are carried out on a regular basis.

During the reconstruction of the Kaunas HPP, litter catching and removing equipment has been installed upstream the hydroelectric units. Any litter that previously used to be discharged into the Nemunas River over the spill dam is now collected and removed to a landfill.

Environmental requirements are set for the investments projects on construction and reconstruction of installations. Contractors are obligated to manage and remove construction waste generated in the process of works.

4 References and Additional Explanations on Figures Disclosed in the Consolidated Financial Statements

The Notes to the Financial Statements for 2010 contain detailed explanations of financial information.

5 Significant Events since the End of Financial Year

The extraordinary meeting of shareholders of the Company held on 19 January 2011 resolved to charge the Board of the Company to prepare, in collaboration with the Board of Lietuvos elektrinė AB, the terms and conditions for the reorganisation of Lietuvos energija AB and Lietuvos elektrinė AB by the method of merger (Article 2.97(2) of the Civil Code of the Republic of Lithuania).

The same meeting resolved to make amendments to the Articles of Association of the Company whereby the Board of Lietuvos Energija AB is granted the right to approve the total (maximum) number of employees; fix the salary for the head of the structural division performing the internal audit function, set other terms of employment contract with this officer of the company, approve his/her job description, give incentives to and impose sanctions on him/her; adopt decisions on the granting of charity and support; consider issues concerning the formation of branches and representative offices of companies of which Lietuvos Energija AB is a member (including subsidiaries) and termination of their operations, consider candidacies for the board members proposed by Lietuvos Energija AB; analyse and evaluate issues that are brought to the Board by the General

Manager; change the procedure for the publishing of the Company's notices without providing for additional methods of publishing.

On 11 February 2011 the Board of the Company passed a decision to approve resignation of the Director General Aloyzas Koryzna. Mr. Aloyzas Koryzna has also filed an application for resignation from the position of a member of the Board of Lietuvos Energija AB. The Board appointed Dalius Misiūnas as the new Director General of Lietuvos Energija AB.

A public announcement was made on 21 February 2011 that the Boards of Lietuvos Energija AB and Kauno Energija AB had adopted decisions on the formation of a joint venture which will carry out a project on the construction of a new Kaunas co-generation plant fired with biofuel. It is planned that the share capital of the new company will amount to LTL 200,000, with Lietuvos Energija AB and Kauno Energija AB acquiring 67% and 33% of the shares in the company respectively.

On 3 March 2011, the shareholders of Visagino atominė elektrinė UAB (company ID 301844044) holding 477,063,400 ordinary registered shares in the Company, i. e. 97.5% of the total number of shares of the Company, resolved to form an audit committee of Visagino atominė elektrinė UAB. The shareholders approved the documents governing the committee's work, establishing that the scope of competence of the Audit Committee covers Visagino atominė elektrinė UAB and its subsidiaries, both directly and indirectly controlled, as well as other entities of other legal forms, directly or indirectly controlled by the company.

On 15 March 2011 the Company announced that, having regard to the initiated procedure for the reorganisation of Lietuvos energija AB and Lietuvos elektrinė AB by the method of merger and to the need to assess the financial capacity of the company, which will continue as a going concern upon the reorganisation, to implement investment projects, it has approached the Public Procurement Services requesting their consent to the cancellation of the tendering procedure for the installation of hydro unit 5 at Kruonis HPSP. The Company intends to adopt decisions on further implementation of the project on the installation of hydro unit 5 at Kruonis HPSP upon completion of the reorganisation of the Company and Lietuvos elektrinė AB.

The extraordinary general meeting of shareholders of the Company held on 17 March 2011 elected Dalius Misiūnas as the member of the Board instead of the resigned member Aloyzas Koryzna for the period remaining until the end of the term of office of this Board.

6 Information on Research and Development Activities at the Group Companies

Pursuing an investment policy which is justified from both technical and economic point of view, the Company draws up programmes aimed at increasing the efficiency of the energy system. These programmes are mainly financed by investments earmarked for the construction of new energy facilities or the extension and modernisation of the present ones. One of the main tasks is related to the reconstruction of energy facilities by replacing old equipment with modern one and to the introduction of modern relay protection, system automation, control, and information collection and transmission systems.

In 2010 the Company purchased the services of preparation of a feasibility study on the installation of Unit 5 at the Kruonis Hydro Pumped Storage Plant the purpose of which is to make a financial and economic assessment of the unit installation project.

The Company has also purchased the services of conducting a study on the suitability of the Syderiai location for the construction of an underground natural gas storage and conducted a study "Results of Monitoring the Baltic Sea Bottom". Furthermore, a study on measurements of the present electricity quality parameters at the intersystem connection points in the Klaipėda and Telšiai 330/110 kV substations in 2010.

In the same year the Company implemented a project "Change in the Levels of Water in the Kaunas HPP Basin and Its Effect on the Status of Fish Resources", the output of which will be a study on the effects of the water level fluctuations on the fish population and spawning based on direct spawning observations in order to assess the status of the spawning resources.

7 Number and Par Value of the Shares of the Controlling Company owned by the Company, Its Subsidiaries or Persons Acting on Instruction Thereof but in Their Own Name

The Company has not acquired its own shares. The subsidiaries have not acquired shares in the Company.

8 Other Information on the Issuer

8.1 Structure of the authorised capital of the Issuer (number of shares, share par value, share classes, rights and responsibilities attached to each share class, percentages of share classes in the share capital)

The authorised capital of the Company registered in the Register of Enterprises as of 21 February 2002 amounts to LTL 689,515,435. It has been divided into 689,515,435 ordinary registered shares of LTL 1 par value. All the shares have been fully paid for.

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

An ordinary registered share grants its owner (shareholder) the following property rights:

- receive part of the Company's profit (dividend);
- receive part of the assets of the Company under liquidation;
- receive shares free of charge when the authorised capital is being increased from the Company's funds save for exceptions established in the Republic of Lithuania Law on Companies;
- acquire shares or convertible debentures issued by the Company on pre-emption basis save for the case when the general meeting of shareholders decides to withdraw this right for all the shareholders according to the procedure established by save for exceptions established in the Republic of Lithuania Law on Companies;
- lend money to the Company in the manner permitted by the law, however, where the Company borrows from the shareholders it may not use its property as security for the loan. Where the Company borrows from its shareholders, the interest rate may not exceed the average interest rate applied by commercial banks in the place of residence or in the place of business of the lender as of the date of the agreement. In such a case the Company and the shareholders may not agree on higher interest rates;
- transfer all or part of his shares to other persons;
- demand that other shareholders sell their shares to him on a mandatory basis or buy shares from him on a mandatory basis in the cases and according to the procedure established by the Law on Securities Market;
- other property rights provided for by the laws.

An ordinary registered share grants its owner (shareholder) the following personal non-property rights:

- attend general meetings of shareholders;
- vote at the general meetings of shareholders using the votes attached to the shares; one vote if attached to an ordinary registered share;
- receive information about the Company to the extent established by the law;
- file a lawsuit against the Company for the damage done by non-fulfilment or improper fulfilment of duties, provided for in the laws and the Articles of Association, by the CEO and members of the Board of the Company and file a lawsuit in other cases established in the law;
- other non-property rights provided for by the laws.

8.2 Number of own shares acquired and disposed in the accounting period, their par value and the proportion of the authorised capital

There were no own share acquisitions or disposals during the accounting period.

8.3 Any restrictions on transfer of securities (e. g. restrictions on blocks of securities or requirement that a consent of the Company or other securities' holders must be obtained)

None

8.4 Shareholders (total number of shareholders; shareholders that own or control, at the end of accounting period (specify date), over 5% of the Issuer's authorised capital (first names and surnames of natural persons (the printed-out copy of the Annual Report submitted to the Commission must also contain personal IDs of these persons), names, legal forms, companies IDs and registered office addresses of legal persons); numbers of shares owned by shareholders by classes, percentage shares of authorised capital and votes held; votes attached to the shares owned by each shareholder (in %) and votes held indirectly (in %))

Total number of shareholders: 5,991. Shareholders holding more than 5% of authorised capital of Lietuvos energija AB as of 31 December 2010:

Name	Type of shares	Number of shares	Proportion of authorised capital (%)	Proportion of votes (%)
Visagino atominė elektrinė UAB Company ID 301844044, Žvejų g. 14A, Vilnius	Ordinary registered shares	477,063,400	97.50	97.50

8.5 Shareholders having special control rights and description of the rights

None

8.6 Any restrictions on voting rights (e. g. restrictions on voting rights of persons holding certain percentage or number of votes; time limits for using the voting rights; or systems whereby property rights attached to securities are separated from holding of securities)

None

8.7 Any agreements between shareholders which are known to the Issuer and due to which transfer of securities and/or voting shares can be restricted

None

8.8 Information on branches and representative offices of the Company

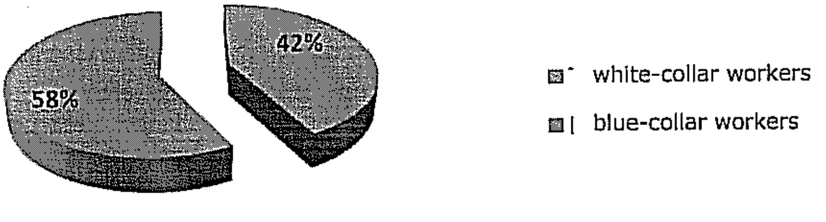
As of 31 December 2010 the Company has two branches: Kaunas HPP and Kruonis HPSP. The branches operate according to the regulations approved by the Board of the Company.

8.9 Employees (average number of employees, changes in last financial / business year, reasons for material changes (over 10%), grouping of employees by education; numbers and average gross monthly pay of managers, specialists and blue-collar workers; special rights and responsibilities of the Issuer's employees or part thereof as provided for in employment contracts or collective agreements)

At the end of 2010 the Group, which consisted of the Company, Lietuvos elektrinė AB; Data Logistics Center UAB, Energijos tiekimas UAB and Kauno energetikos remontas UAB (including Gotlitas UAB) employed 946 people.

	31 December 2010	%
Total	946	100%
Lietuvos elektrinė AB	443	47%
Kauno energetikos remontas UAB Group (including Gotlitas UAB)	253	26%
Lietuvos energija AB	231	25%
Data Logistics Center UAB	7	1%
Energijos tiekimas UAB	12	1%

The staff structure of the Group in December 2010 was 42% white-collar workers and 58% blue-collar workers.



Numbers of white-collar and blue-collar workers were changing in the Group along with restructuring of the energy sector in 2010; the most marked change took place in October 2010.

The average (annual) distribution of employees in the Group and average pay data are provided in the table below:

2010	Average (annual) conventional number of personnel	Average pay, LTL
Blue-collar workers	581	2 683

White-collar workers	599	4 054

37% of the Group's personnel have higher education, 17% - further education, and 36% have finished secondary schools. The employees are encouraged to improve their skills and to study at universities and other higher educational establishments. They are granted leave for studies. Information on education of the Group's personnel by groups is provided below.

	2010	%
Number of employees	946	100%
higher	348	37%
further	160	17%
secondary	338	36%
vocational	43	4%
incomplete secondary	33	3%
other	24	2%

In order to perform its functions duly and efficiently, the Company attaches great importance to technological advancement and research and development of specialists. New achievements in science and technology are intensively introduced in its operations.

Maintaining and refreshing of personnel qualifications is also in the centre of attention of the Company. Personnel development takes place along the five lines: mandatory training (certification, examinations, courses ending in obtaining licences and permits to perform certain works), improvement of professional skills (training aimed at maintaining and refreshing vocational/technical/technological competences when equipment is modernised, technologies are changed etc.), professional studies at higher educational establishments/universities, improvement of personal activities and leadership competences (leadership and management skills development seminars, quarterly forums of managers), training on new equipment and technologies for the purposes of investment projects etc.).

In 2010, approx. LTL 198,000 was earmarked for the personnel skills' improvement.

As of 31 December 2010, as much as 81% of the Group's employees were men and 19% were women.

Group companies	Structure of employees
Men	762
Women	184

8.10 Procedure for amending Articles of Association of the Issuer

Articles of Association of the Company may be amended according to the procedure established by the Republic of Lithuania Law on Companies by resolution of the general meeting of shareholders adopted by the 2/3 majority vote of shares of the attending shareholders. Upon adoption of the resolution on amendments to the Articles of Association by the general meeting of shareholders, the full text of the amended Articles of Association shall be issued and signed by a person authorised by the meeting.

8.11 Bodies of the Issuer (their powers; appointment and replacement of members)

According to the Articles of Association, bodies of the Company include:

- the general meeting of shareholders;
- the board; and
- the General Manager.

The Board of the Company is the supreme standing body thereof. The scope of competence and the procedure for the adoption of decisions and election ad replacement of members shall be established by the laws, other legal acts and the Articles of Association.

The Board consisting of 5 (five) members is elected by the general meeting of shareholders for 4 (four) years. The Board elects its chairman from among its members. In case if the Board is recalled, resigns or ceases to perform its duties prior to the end of office, the new board is elected for the remaining period of the term of office of the Board. Where individual members of the Board are elected, they are elected until the end of term of office of the present Board.

The Board of the Company adopts decisions on becoming a promoter of a legal person; on transfer of any shares in the Company or votes attached thereto to third parties and on restrictions thereon; on formation or termination of branches and representatives offices of the Company; on issue of debentures; on disposal of plants and facilities having strategic significance for national security as well as other facilities of the Company as established in the law; on conclusion of transactions with the value exceeding LTL 10 million; in certain cases the Board must obtain consent of the general meeting of shareholders prior to adopting a decision.

The Board elects and recalls the CEO of the Company. The Company is headed by the General Manager who organises current operations of the Company and performs other functions established in the laws and the Articles of Association.

8.12 Members of collective management bodies, chief executive officer of the Company, chief financier (first names and surnames (the printed-out copy of the Annual Report submitted to the Commission must also contain personal IDs of these persons), names, legal forms, companies IDs and registered office addresses of legal persons), data on participation in the Issuer's authorised capital, start and end of term of office of each person, information on amounts paid, other assets transferred and guarantees provided by the Issuer to these persons (total amounts and average amounts per member of a collective management body, CEO and chief financier

The following persons occupied the positions of members of collective management bodies, the Chief Executive Officer and the Chief Financier of the Company prior to general meetings of shareholders held on 30 April 2010 and 21 July 2010:

Position	Name	Start date	End date	Shares of the Issuer held
Board				
Chairman of the Board	Henrikas Bernatavičius	2009-10-23	2010-04-30	-
Member of the Board	Aloyzas Koryzna	2009-10-23	2010-04-30	-
Member of the Board	Šarūnas Vasiliauskas	2009-10-23	2010-04-30	-
Member of the Board	Arvydas Tarasevičius	2009-10-23	2010-04-30	-
Member of the Board	Vytautas Vazalinskas	2009-10-23	2010-04-30	-
Administration				
General Manager	Aloyzas Koryzna	2009-06-22	2011-02-11	-
Chief Financier	Tatjana Didiklenė	2009-05-18	2010-11-30	-
Chief Financier	Giedruolė Guobienė	2010-12-01	to date	-

The following persons occupied the positions of members of collective management bodies, the Chief Executive Officer and the Chief Financier of the Company after general meeting of shareholders held on 30 April 2010:

Position	Name	Start date	End date	Shares of the Issuer held
Board				
Chairman of the Board	Henrikas Bernatavičius	2009-10-23	2010-07-21	-
Member of the Board	Aloyzas Koryzna	2009-10-23	2010-07-21	-
Member of the Board	Šarūnas Vasiliauskas	2009-10-23	2010-07-21	-
Member of the Board	Arvydas Tarasevičius	2009-10-23	2010-07-21	-
Member of the Board	Kęstutis Žilėnas	2010-04-30	2010-07-21	-
Administration				
General Manager	Aloyzas Koryzna	2009-06-22	2011-02-11	-
Chief Financier	Tatjana Didiklenė	2009-05-18	2010-11-30	-
Chief Financier	Giedruolė Guobienė	2010-12-01	to date	-

The following persons occupied the positions of members of collective management bodies, the Chief Executive Officer and the Chief Financier of the Company after extraordinary general meeting of shareholders held on 21 July 2010:

Position	Name	Start date	End date	Shares of the Issuer held
Board				
Chairman of the Board	Arvydas Darulis	2010-07-21	to date	-
Member of the Board	Aloyzas Koryzna	2009-10-23	2011-01-19	-
Member of the Board	Šarūnas Vasiliauskas	2009-10-23	to date	-
Member of the Board	Arvydas Tarasevičius	2009-10-23	2011-01-19	-
Member of the Board	Kęstutis Žilėnas	2010-04-30	to date	-
Administration				
General Manager	Aloyzas Koryzna	2009-06-22	2011-02-11	-
	Dalius Misiūnas	2011-02-11	to date	-
Chief Financier	Tatjana Didiklenė	2009-05-18	2010-11-30	-
Chief Financier	Giedruolė Guoblenė	2010-12-01	to date	-

Information on salaries, tantiemes and other allocations from profit to paid during the accounting period, total and on average per person (administration includes the General Manager and the Chief Financier).

	Salary Jan – Dec 2010, LTL	Annual extra pay for 2010, LTL	Tantiemes in 2010, LTL	Dividend in 2010, LTL	Total, LTL
Per member of the Board on average	247 871	----	-	-	247 871
To all members of the Board collectively	247 871		-	-	247 871
Per member of the Administration on average	184 460		-	-	184 460
To all members of the Administration collectively	368 919		-	-	368 919

8.13 Any agreements between the Issuer and members of its bodies / employees providing for compensation in case of resignation or dismissal without a valid reason

None.

8.14 Issuers of equity securities must also present information on major related party transactions specifying the amounts of transactions, nature of relate-party relationship and other information on the transactions required for understanding financial position of the Company if such transactions are materials or were concluded on a basis other than arms-length basis. Information on individual transactions may be generalised based on transaction types except for cases where, in order to understand the impact of the related-party transactions on the Company's financial position, detailed information must be presented.

Related party transactions are disclosed in Note 33 to the Financial Statements.

8.15 Any material agreements to which the Issuer is a party and which would take effect, changer or cease in case of change in the Issuer's control. Impact of such transactions except for cases where disclosure would cause considerable damage to the Issue due to nature of the agreements.

None

8.16 Information on compliance with the Code of Corporate Governance.

Information on compliance with the Code of Corporate Governance is presented in Annex 1 to this Annual Report.

8.17 Information on publicly available information. The Annual Report must also contain a summary of information that the Issuer has published during the past 12 months in the EU Member States or third countries under the applicable legal acts regulating securities markets, with references to detailed information.

In 2010 the Company published the following notices of material events:

06-01-2010 – Concerning liquidation of LEO LT, AB.

06-01-2010 – Notice of the extraordinary general meeting of shareholders of Lietuvos energija AB to be held on 29 January 2010.

13-01-2010 – Concerning drafting of a plan on the reorganisation and optimisation of the Lithuanian electrical power sector.

27-01-2010 – Concerning information in the mass media.

29-01-2010 – Decision by the extraordinary general meeting of shareholders.

11-02-2010 – Preliminary unaudited consolidated operating results of Lietuvos energija AB Group for 2009.

01-03-2010 – Unaudited interim consolidated financial statements of Lietuvos energija AB for twelve months of 2009.

02-03-2010 – CORRECTION: Updated unaudited interim consolidated financial statements of Lietuvos energija AB for twelve months of 2009.

03-03-2010– CORRECTION: Updated and supplemented unaudited interim consolidated financial statements of Lietuvos energija AB for twelve months of 2009.

19-03-2010 – Concerning signature of a cooperation agreement on the implementation of NordBalt project.

26-03-2010 – The Board of Lietuvos energija AB convenes the general meeting of shareholders.

08-04-2010 – Notice of the general meeting of shareholders of Lietuvos energija AB to be held at 10.00 a. m. on 30 April 2010.

19-04-2010 – Concerning additions to the agenda of the general meeting of shareholders of Lietuvos energija AB.

20-04-2010 – Concerning additions to the agenda of the general meeting of shareholders of Lietuvos energija AB and proposed draft decisions.

30-04-2010 – Decisions adopted by the general meeting of shareholders of Lietuvos energija AB.

30-04-2010 – Annual information on Lietuvos energija AB.

04-05-2010 – Results of operations of Lietuvos energija AB in Q1 of 2010.

04-05-2010 – Notice by Lietuvos energija AB.

14-05-2010 – Notice of the extraordinary general meeting of shareholders of Lietuvos energija AB.

27-05-2010 - Results of operations of Lietuvos energija AB in Q1 of 2010.

07-06-2010 – Concerning transfer of shares in Lietuvos energija AB to VAE.

18-06-2010 - Extraordinary general meeting of shareholders of Lietuvos energija AB took place.

18-06-2010 – Information on meeting of the Boars of Lietuvos energija AB.

22-06-2010 – Information on the notice of resignation.

30-06-2010 - Concerning additions to the agenda of the extraordinary general meeting of shareholders of Lietuvos energija AB and proposed draft decisions.

08-07-2010 - Concerning additions to the agenda of the extraordinary general meeting of shareholders of Lietuvos energija AB and approval of a draft decision.

13-07-2010 – Concerning transfer of shares in Lietuvos energija AB held by LEO LT, AB controlled by the Government of the Republic of Lithuania and transfer of liabilities.

20-07-2010 – Concerning proposed draft decision in the agenda of the extraordinary general meeting of shareholders of Lietuvos energija AB.

21-07-2010 – Decisions adopted by the extraordinary general meeting of shareholders of Lietuvos energija AB held on 21 July 2010.

22-07-2010 – Concerning reorganisation of a subsidiary of Lietuvos energija AB from a private company into a public company.

03-08-2010 – Concerning prospectus of a new share issue by Lietuvos energija AB and public meeting with investors.

11-08-2010 – Decision adopted by the Board of Lietuvos energija AB on 11 August 2010.

13-08-2010 – Concerning decision adopted b y the Board of Visagino atominė elektrinė UAB on 12 August 2010.

13-08-2010 – Concerning approval of the prospectus of a new share issue by Lietuvos energija AB.

16-08-2010 – Concerning published information.

17-08-2010 – Notice of the offer to use the pre-emption right to subscribe for newly issued ordinary registered shares of Lietuvos energija AB.

17-08-2010 - CORRECTION: Notice of the offer to use the pre-emption right to subscribe for newly issued ordinary registered shares of Lietuvos energija AB.

18-08-2010 – Concerning subscription for the block of shares in Lietuvos energija.

19-08-2010 – Concerning resolution of the Government of the Republic of Lithuania.

20-08-2010 – Concerning meeting with investors.

24-08-2010 – The court rejected the application for provisional injunction.

31-08-2010 – Consolidated unaudited results of Lietuvos energija AB Group of Companies for the six months of 2010.

01-09-2010 – Concerning change in the address of headquarters of Lietuvos energija AB.

01-09-2010 – Conclusion of an agreement on electricity supply.

03-09-2010 - Lietuvos energija AB established a subsidiary Data Logistics Center UAB.

03-09-2010 - Notice of the extraordinary general meeting of shareholders of Lietuvos energija AB.

03-09-2010 – Notice of the end of the term for subscription and payment for the newly issued ordinary registered shares of Lietuvos energija AB and fixing of the amounf of the authorised capital.

07-09-2010 - CORRECTION: Notice of the extraordinary general meeting of shareholders of Lietuvos energija AB.

09-09-2010 – Notice of increase in the authorised capital of Lietuvos energija AB.

15-09-2010 - Lietuvos energija AB leased the Estlink cable capacities to Eesti energia AS.

16-09-2010 – Notice of entries in Lietuvos energija AB's share accounts and joining the shares to the previous issue.

17-09-2010 – Additions to the interim financial statements of Lietuvos energija AB for the 6 month period ended on 30 June 2010.

24-09-2010 – Notice of completion of drafting of the terms and conditions of spin-off of LIETUVOS ENERGIJA AB.

27-09-2010 - CORRECTION: Notice of completion of drafting of the terms and conditions of spin-off of LIETUVOS ENERGIJA AB.

28-09-2010 - Decisions adopted by the extraordinary general meeting of shareholders of Lietuvos energija AB held on 28 September 2010.

29-09-2010 – Cooperation agreement signed by Lietuvos energija AB and Kauno energija AB.

30-09-2010 – Presentation (ppt) to investors on 30-09-2010.

06-10-2010 – Concerning agenda and draft decisions of extraordinary general meetings of shareholders of Lietuvos energija AB and LITGRID turtas AB which will start operations upon completion of spin-off.

06-10-2010 - Concerning change in the address of registered office of Lietuvos energija AB.

08-10-2010 – Notice of subscription for ordinary registered shares in Lietuvos energija AB.

14-10-2010 - Notice of subscription for ordinary registered shares in Technologijų ir inovacijų centras UAB.

15-10-2010 - Notice of subscription for ordinary registered shares in ELEKTROS TINKLO PASLAUGOS UAB and TETAS UAB.

22-10-2010 - Notice of subscription for ordinary registered shares in Kruonio investicijos UAB.

28-10-2010 – Notice of forfeiture of rights of a member in Public Institution National Energy Training Centre previously held by Lietuvos Energija AB.

28-10-2010 - Decisions adopted by the extraordinary general meetings of shareholders of Lietuvos energija AB and LITGRID turtas AB which will start operations upon completion of spin-off.

29-10-2010 – Notice of public procurement procedure announced by Lietuvos energija AB.

01-11-2010 – Information on decisions adopted by the State Commission on Prices and Energy Control.

04-11-2010 – Concerning action plan on the projected spin-off of Lietuvos energija UAB and formation of LITGRID turtas AB as well as listing of the latter on the trading list of AB NASDAQ OMX Vilnius.

10-11-2010 – Concerning treatment of the spin-off terms and conditions as the information equal to Prospectus of LITGRID turtas AB.

16-11-2010 – Concerning amendments to the Articles of Association of Lietuvos energija AB and formation of LITGRID turtas AB.

19-11-2010 – The Board of Lietuvos energija AB approved the electricity purchase prices for 2011.

25-11-2010 - Notice of entries in Lietuvos energija AB's share accounts and separation of shares in LITGRID turtas AB from the previously registered issue.

25-11-2010 – Notice of extraordinary general meeting of shareholders of LITGRID turtas AB.

30-11-2010 – Unaudited consolidated results of Lietuvos energija AB Group of Companies for Q1 – 3 of 2010.

01-12-2010 – Concerning untrue information published in the mass media.

02-12-2010 – Notice of spin-off of assets, rights and responsibilities of LITGRID turtas AB from LIETUVOS ENERGIJA AB.

07-12-2010 – Concerning decisions adopted by the Boards of LITGRID turtas AB and LITGRID AB.

08-12-2010 – Concerning additions to the agenda of extraordinary general meeting of shareholders of LITGRID turtas AB and approval of a draft decision.

15-12-2010 – Notice of completion of spin-off of LITGRID turtas AB from Lietuvos energija AB.

17-12-2010 – Decisions adopted at the extraordinary general meeting of shareholders of LITGRID turtas AB held on 17 December 2010.

21-12-2010 – NOTICE OF THE DRAFTING OF THE TERMS AND CONDITIONS OF REORGANISATION OF LITGRID TURTAS AB AND LITGRID AB.

29-12-2010 - Concerning agenda of the extraordinary general meeting of shareholders of Lietuvos energija AB and proposed draft decisions.

Detailed information on material events in 2010 can be found in the website of Vilnius Securities Exchange www.nasdaqomxbaltic.com/market/?pg=news, the website of the Company www.lietuvosenergija.lt, and at the Register of Legal persons (VĮ Juridinių asmenų registras).

Annex 1
Lietuvos Energija AB Notice of Compliance of the Code of Corporate Governance for Companies Listed on AB NASDAQ OMX Vilnius

According to Article 21(3) of the Republic of Lithuania Law on securities and Clause 20.5 of the Trading Rules of Vilniaus vertybinių popierių birža AB, this Notice by Lietuvos energija AB discloses how the Company complies with the provisions of the Code of Corporate Governance approved by AB NASDAQ OMX Vilnius for companies whose securities are traded in the regulated market. If any of the provisions of the Code is not complied with, this is indicated together with the explanation of the reasons for non-compliance.

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
Principle I: Main provisions **Main purpose of the company should the satisfaction of the shareholders' interests, at the same time ensuring constant increase in the value of shareholders' equity**		
1.1. The company should formulate and publish the corporate development strategy and objectives, clearly stating how it plans to act in the interests of the shareholders and augment the shareholders' equity.	YES	
1.2. Activities of the corporate management bodies should be focussed on the achievement of strategic goals taking account of the need to augment shareholders' equity.	YES	
1.3. Corporate supervision and management bodies should closely cooperate in order to maximise benefits for the company and the shareholders.	YES	
1.4. Corporate supervision and management bodies should ensure that rights and interests of other parties participating in or related to the company's operations are respected in addition to the rights and interests of the shareholders.	YES	
Principle II: Corporate governance system **The corporate governance system should ensure strategic management of the company, effective supervision over corporate management bodies, due balance and divisions of functions between corporate bodies, and safeguarding of shareholders' interests**		
2.1. In addition to the bodies mandatory under the Republic of Lithuania Law on Companies – the general meeting of shareholders and the head of the company, it is recommended that both collective supervisory body and collective management body is formed by the company. Formation of the said bodies enable a clear division of management and supervision functions in a company and accountability and control of the head of the company, which leads to a more effective and transparent corporate governance process.	NO	The Articles of Association of the Company do not provide for the formation of the supervisory body – the supervisory council.
2.2. The collective managerial body is responsible for the strategic management of the company and performance of other key corporate management functions. The collective supervisory body is responsible for the effective supervision of the corporate management bodies.	NO	The supervisory body – the supervisory council is not formed at the Company.

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
2.3. Should the company decide to form only one collective body, it is recommended that this body is a supervisory one, i. e. the supervisory council. The	NO	The supervisory body – the supervisory council is not formed at the Company.

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
supervisory council is responsible for the effective supervision over the functions performed by the head of the company.		
2.4. The collective supervisory body elected by the general meeting of shareholders should be formed and act according to the procedures laid down under Principles III and IV. Should the company decide to form a collective management body – the board – only, Principles III and IV should apply to the board to the extent to which this does not contradict the substance and purpose of this body.	YES	
2.5. The numbers of members of the corporate management body (executive directors) and supervision body (consulting directors) should be such that an individual or a small group of individuals is/are not able to dominate the decision-adoption process.	YES	
2.6. Consulting directors or members of the supervisory board should be appointed for a defined term, with the opportunity for individual re-election for a maximum term allowed by the Lithuanian legislation in order to ensure the growth in professional experience and sufficient re-approval of their status. In addition, dismissal should be provided for, however, this procedure should not be easier that the procedure for the dismissal of an executive director or a member of the board.	NO	The supervisory body – the supervisory council is not formed at the Company.
2.7. The chairman of a collective body elected by the general meeting of shareholders may be a person whose current or previous position is not an obstacle to independent and unbiased supervision. Where only the board and not the supervisory council is formed in the company, it is recommended that the chairman of the board and the head of the company are different persons. Former head of the company should not be immediately appointed as a chairman of a collective body elected by the general meeting of shareholders. Where the company decides not to follow these recommendations, information about measures taken to ensure unbiased supervision should be provided.	YES	
Principle III: Procedure for the formation of a collective body elected by the general meeting of shareholders **The procedure for the formation of a collective body elected by the general meeting of shareholders should ensure representation of interests of minority shareholders, accountability of the body to shareholders, and objective supervision over activities of the company and its management bodies**		
3.1. The mechanism of formation of a collective body (hereinafter for the purposes of this Principle – "collective body") elected by the general meeting of shareholders should ensure objective and unbiased supervision over corporate management bodies as well as proper representation of interests of minority shareholders.	YES	
3.2. Names, education information, qualifications, professional experience, information on current position, other important professional obligations and potential conflicts of interests of candidates to members of collective management bodies should be disclosed to the company's shareholders prior to the general meeting so that the shareholders have enough time to decide on the voting on the candidates. In addition, any circumstances that may affect the candidate's independence (a model list is provided in Recommendation 3.7) should be	YES	

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
disclosed. The collective body should be informed about any subsequent changes in the information disclosed under this p. 3.2. The collective body should collect the disclosed information on members and include them in its annual report.		
3.3. Where a proposal is made for the election of a member of a collective management body, his competences necessary for the work in the body must be specified. In order that the shareholders and investors can assess whether the competences remain valid, in every annual report the collective body must include information on its composition and specific competences of its members related to their work in the body.	YES	
3.4. In order to maintain proper balance of qualifications of members in a collective body, the composition of the body should be set in line with the structure and type of operations of the company and should be subjected to period review. The body should ensure that its members as a whole should possess comprehensive knowledge, views and experience for the proper performance of their tasks. Members of an audit committee as a whole should have latest knowledge and relevant experience in finance and accounting and/or audit of the listed companies. At least one of the members of payroll committee should have knowledge and experience in the wage setting policy.	YES	
3.5. An individual programme aimed at familiarisation with the duties and organisation and operations of the company should be offered to every new member of a collective body. The body should carry out annual checks to determine the areas in which its members should refresh their skills and knowledge.	NO	Members of the Board are informed about the Company's operations at meetings of the Board.
3.6. In order to ensure proper resolution of any conflicts of interests of members of a collective body, the body should contain sufficient number of independent members.	YES	
3.7. A member of a collective member should be considered to be independent only if is not linked with the company, its controlling shareholder or administration of the company/shareholder by any business, kinship or other relations which give or could give rise to a conflict of interest and which could influence the member's views. As it is impossible to list all the cases when a member of a collective body may lose independence, in addition, relations and circumstances relate to the determination of independence may differ from company to company, and the best practice of resolution of the problem may form in time, an assessment of independence of the member should be based on the content and not the form of the relations and circumstances. Main criteria on which determination of the member's independence should be based: 1) he may not be executive director or member of the board of the company or an associated company (if the collective body elected by the general meeting of shareholders is a supervisory council) and may not have occupied such position during the past five years); 2) he may not be employee of the company or an associated company and may not have occupied such position during the past three years except for cases when the member of the collective body is not part of top management and was elected to the body as a	NO	Two members of the Board are employees of a legal person that controls the Company indirectly, one member of the Board is an employee of the Company, and one member of the Board is the CEO of the controlling company.

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
representative of employees; 3) he must not be receiving or received significant additional remuneration from the company or an associated company except for remuneration received as a member of a collective body. Such additional remuneration includes participation in share options or other remuneration systems based on the operating results; this does not include compensation benefits under a pension plan (including deferred compensations) for previous work in the company (on condition that such benefit is not related in any way to subsequent positions); 4) he may not be a controlling shareholder and may not represent such shareholder (control is determined according to Article 1(1) of Council Directive 83/349/EEC); 5) he may nor have or have had in the previous years any significant business relations with the company or an associated company directly or as a partner, shareholder, director or senior manager of an entity having such relations. An entity is considered to be having business relations if it is an important supplier of goods or services (including financial, legal, advisory and consulting services), significant customer or organisations receiving significant payments from the company or the group to which the company belongs; 6) he may not be and m ay not have been in the past three years a partner or employee of the current or previous external auditor of the company or an associated company; 7) he may not be executive director or member of the board of another company in which the executive director or member of the company (in case of a supervisory council elected by the general meeting of shareholders) is a consulting director or member of a supervisory council, an may not have other significant relations with the company's executive directors that arise in the process of participation in the activities of other companies or bodies; 8) he may not have occupied the position of a member of a collective body longer than 12 years; 9) he may not be a member of the closest family of the executive director or a member of the board (in case of a supervisory council elected by the general meeting of shareholders) or of persons referred to in items 1 to 8 above. Close family includes spouses/partners, children and parents.		
3.8. The content of the notion of independence is determined by the collective body itself. The body mat decide that a certain member cannot be considered independent due to particular personal or company-related circumstances, even though he meets all the independence criteria set in this Code.	YES	
3.9. Information on the conclusions drawn by the collective body in determining whether a member can be considered independent should be disclosed. Where appointment of a member of a collective body is proposed, the company should announce whether the member is considered independent. Where a member of the body does not meet any independence criteria set in this code, the company should announce reasons why it still considers that member independent. In addition, the company should state in every annual report which members of the collective body are considered independent.	NO	Up until now the Company has not applied the practice of publishing of evaluation of independence of members of a collective management body.
3.10. Where one or more of the independence criteria set	NO	Up until now the Company has not applied the

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
out in this Code have not meet throughout the year, the company should announce reasons why a member of the collective body is considered independent. In order to ensure accuracy of information about independence, the company should demand that independent members would confirm their independence on a regular basis.		practice of evaluation of independence of members of a collective management body..
3.11. Independent members of a collective body may be remunerated for their work and attendance of meetings of the body out of the company's funds. The size of the remuneration should be approved by the general meeting of shareholders.	YES	
Principle IV. Duties and responsibilities of a collective body elected by the general meeting of shareholders **The corporate governance system should ensure that the collective body elected by the general meeting of shareholders functions properly and effectively and the rights granted to the body should endure effective supervision over the corporate management bodies and protection of the shareholders' interests.**		
4.1. The collective body elected by the general meeting of shareholders ("the collective body") should ensure integrity and transparency if the financial accounting and control system of the company. The collective body should constantly make recommendations to the company's management bodies and supervise and control their activities in the area of management of the company.	YES	
4.2. Members of the collective body should act for the benefit and in the interests of the company and shareholders in good faith, carefully and responsibly, taking account of the employees' interests and public welfare. Independent members of a collective body should: a) maintain independence of their analyses, decision adoption and actions under any circumstances; b) do not seek and do not accept unjustified preferences that might compromise their independence; c) clearly express their objections in cases when, in their opinion, decision by the collective body may be harmful to the company. Where the collective body has adopted decisions with respect to which an independent member has serious doubts, in such a case the member should draw conclusions accordingly. In case of resignation of an independent member he should explain the reasons therefor in a letter to the collective body or audit committee and, if necessary, to a relevant external institution.	YES	
4.3. Each member of a collective body should devote sufficient time and efforts to the performance of his duties in a collective body. Each member of a collective body should undertake to limit his other professional obligations (in particular the duties of a director of another company) so that they do not hinder the performance of his duties as a member of the collective body. If a member has attended less than one half of the meetings of the collective body during the company's financial year, the shareholders should be notified thereof.	YES	
4.4. Where decisions by the collective body may have different effects on different shareholders, the collective body must treat all the shareholders in good faith and without bias. It should ensure that the shareholders are duly informed about the company's affairs, strategies, risk management and resolution of conflicts of interest. The company must have clearly defined the role of the	YES	

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
members of the collective body in the relations with shareholders and in their obligations to the shareholders.		
4.5. It is recommended that transactions (except low value transactions or transactions concluded in the normal course of business of the company) between the company and its shareholders or members of supervisory or managerial bodies or other natural or legal persons that may have influence over the company's management should be certified by a collective body. Decision on the approval of such transactions should be deemed to be adopted only if the majority of the independent members of the collective body vote for it.	YES	
4.6. The collective body should be independent in adopting decisions that are significant for the company's activities and strategies. In addition, the collective body should be independent from management bodies of the company. Work and decisions by the collective body should not be influenced by the persons that elected it. The company should ensure that the collective body and its committees are provided with sufficient resources (including financial) necessary for the performance of their duties including the right to obtain – in particular from the employees of the company – all the requisite information and the right to approach external law, accounting or other professionals for advice on the matters falling within the scope of competence of the collective body and its committees. The remuneration committee, while using the consultants'/experts' services in order to get information about market standards on setting of remuneration rates, must ensure that the same consultant would not provide consulting on personnel division or executive director or members of management bodies of a related company at the same time.	YES	
4.7. Work of the collective body should be organised in such a way that independent members of the collective body would have significant influence in the most important areas with a high potential of conflicts of interest. Such areas include issues related to the appointment of directors, setting of remuneration to directors, and audit control over the company. Therefore, in the case where these issues fall within the scope of competence of a collective body, it is recommended that the collective body forms committees on appointment, remuneration and audit. The company should ensure that functions assigned to the appointments, remuneration and audit committees are performed, however, they may be combined and less than three committees may be formed. In such a case the company must provided a detailed explanation why an alternative approach was selected and how it complies with the objectives of the three individual committees, Where the collective body has a small number of members, the functions of the three committees may be performed by the collective body itself, provided that it meets the composition requirements set for the committees and the requisite information on this issue is disclosed. In such a case the provisions of this Code related to the said committees of the collective body (in particular, to their role, activities and transparency) should apply to the collective body as whole, where applicable.	NE	No appointments committee and remuneration committee have been formed in the Company.
4.8. The main purpose of the committees is to increase efficiency of work of the collective body to ensure that decisions are adopted upon proper consideration and to assist in the organisation of work so that conflicts of	NE	No appointments committee and remuneration committee have been formed in the Company.

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
interest do not influence decisions adopted by the collective body. The committees should act in an independent manner and adhere to their principles and provide to the collective body recommendations on decision-adoption by the collective body, however, the final decision shall be adopted by the collective body itself. The recommendation on the formation of committees is not aimed at narrowing the scope of competence of the collective body or delegate it to the committees. The collective body remains fully responsible for the decisions adopted within the scope of its competence.		
4.9. Committees formed by the collective body should normally consist of at least three members. In companies whose collective body has a small number of members a committee may be formed of two persons by way of exception. The majority of the members of any committees should consist of independent members of the collective body. In case if no supervisory council is formed in the company, the salaries committee and the audit committee should be formed exclusively of consulting directors. In deciding on the chairman and members of a committee, account should be taken of the fact that membership of committees should be renewed and excessive trust should not be placed on any person.	NO	No appointments committee and remuneration committee have been formed in the Company.
4.10. Authorisations of any committee should be established by the collective body. Committees should perform their duties within the scope of their authorisations and inform the collective body about its activities and results on a regular basis. Authorisations of each committee, with the roles, rights and responsibilities defined, should be published at least once in a year (as part of the information that the company publishes on its management structure and practices every year). The annual report of the company should also include notices of published by the committees stating information about their composition, number of meetings and attendance by members during the past year as well as about main lines of activities. The audit committee should certify that is it satisfied with the independence of the audit process and briefly describe actions taken to arrive to this conclusion.	NO	No appointments committee and remuneration committee have been formed in the Company.
4.11. In order to ensure independence and objectivity of committees, members of the collective body that are not members of the committees should normally have the right to attend the meetings of the committee only subject to invitation by the committees, The committee may invite or demand that certain employees or experts attend the meetings. Chairman of each committee should be enabled to maintain direct relations with the shareholders. Cases when this should be done should be stated in the committee's regulations.	NO	No appointments committee and remuneration committee have been formed in the Company.
4.12. Appointments committee. 4.12.1. The main functions of the appointments committee should be as follows: 1) select candidates to vacant positions of members of management bodies and recommend them to the collective body for consideration. The committee should assess the balance of skills, knowledge and experience in a management body, prepare a description of functions and abilities required for a specific position, and assess the time necessary for the discharge of obligations. The committee may also evaluate the candidates to members of the collective body proposed by the shareholders; 2) on a regular basis, evaluate the structure, size,	NO	No appointments committee and remuneration committee have been formed in the Company.

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
composition and activities of supervisory and management bodies, make recommendations for changes to the collective body; 3) on a regular basis, evaluate skills, knowledge and experience of individual director and notify the collective body; 4) devote sufficient attention to the continuity planning; 5) review management bodies' policies on election and appointment of top management. 4.12.2. The appointments committee should consider proposals received from other persons including administration and shareholders. Where issues related to executive directors or members of the board (where the collective body elected by the general meeting of shareholders is the supervisory council) and top management, the committee should consult the CEO, entitling him to make proposals to the committee.		
4.13. Remuneration committee. 4.13.1. The main functions of the remuneration committee should be as follows: 1) make proposals for the policy of remuneration to members of management bodies and executive directors to the collective body for consideration. Such policy should include all forms of remuneration including salaries, performance-based pay, pension models and severance pay. Proposals for performance-based systems should be submitted jointly with recommendations for related purposes and evaluation criteria aimed at properly matching remuneration of executive directors and members of management bodies with the long-term interests and objectives of shareholders; 2) make proposals to the collective body for individual remuneration to members of management bodies and executive directors in order to ensure its consistency with the corporate remuneration policy and assessment of these persons' performance. In performing this function, the committee must be well informed about the remuneration received by such persons from other related companies; 3) ensure that individual remuneration to an executive director and a member of management body should be proportionate to the remuneration received by other executive directors, members and employees of the company; 4) review, on a regular basis, the remuneration-setting policy for members of management bodies and executive directors (including share-based payments policy) and its implementation; 5) make proposals to the collective body for appropriate forms of agreements with members of management bodies and executive directors; 6) assist the collective body in supervising how the company complies with the valid regulations on publication of information on remuneration (in particular, with respect to current remuneration policy and individual remuneration to directors); 7) make general recommendations to members of management bodies and executive directors concerning size and structure of remuneration for top management (as defined by the collective body), monitor the size and structure of this remuneration based on the information received from the members of management bodies and executive directors. 4.13.2. In cases where the committee has to resolve incentive issues related to share options or other share-related incentives that may be applicable to directors or other employees, the committee should:	NO	No remuneration committee has been formed in the Company.

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
1) consider the overall policy of such incentive systems, with a focus on incentives related to share options, and make relevant proposals to the collective body; 2) analyse information on these issues presented in the annual report and documents intended for the general meeting; 3) make proposals to the collective body for the options based on subscription or options based on purchase of shares, defining the reasons for and consequences of selection of a specific alternative. 4.13.3. In resolving issues falling within the scope of its competence, the committee should get opinion of the chairman of the collective body and/or the CEO on the rates of remuneration paid to other executive directors and members of management bodies. 4.13.4. The committee should inform the shareholders about the performance of its functions, participating in the general meeting for this purpose.		
4.14. Audit committee. 4.14.1. The main functions of the audit committee should be as follows: 1) check the integrity of the financial information provided by the company, with a focus on the appropriateness and consistency of accounting principles applied by the company and the group (including criteria for the consolidation of financial statements of the group); 2) at least once in a year, review the internal control and risk management systems in order to ensure that main risks (including the regularity risk related to compliance with the current laws and regulations) are in place, are managed, and information about them is disclosed; 3) ensure effectiveness of the internal audit functions, inter alia, making recommendations for the selection. appointment, reappointment and dismissal of the head of the internal audit unit and the unit's budget, including monitoring of how the administration responds to the conclusions and recommendations of this unit. If the company has no internal audit function, the committee should assess the need for such function at least once in a year; 4) make recommendations to the collective body related to the selection, appointment, reappointment and dismissal of the external auditor (to be made by the general meeting of shareholders) and to the terms and conditions of audit agreement. The committee should investigate situations giving rise to the grounds for the resignation of the audit firm/auditor, and make recommendations for actions necessary in such cases; 5) monitor independence and objectivity of the external auditor, in particular, checking whether the auditor takes account of the requirements for the rotation of audit partners, and checking the size of fee paid by the company top the auditor and related matters. In order to prevent material conflicts of interest, the committee should monitor, based inter alia on the information on fees paid to it by the company and the group as published by the external auditor, the nature and scope of non-audit services. The committee, acting pursuant to the principles and guidelines set out in the Commission Recommendation 2002/590/EC of 16 May 2002, should establish and apply a formal policy for the types of non-audit services the purchase of which from the auditor is a) not permitted; b) permitted upon consideration by the committee, or c) permitted without approaching the committee; 6) check the effectiveness of the external audit process	YES	

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
and response of the administration to the recommendations made by the auditor in its Letter to Management. 4.14.2. All members of the committee should be provided with detailed information related to specific features of accounting, financial activities and operations of the company. The administration of the company should inform the audit committee of methods of accounting for significant and unusual transactions when different methods of accounting can be applied. In such cases attention should be focussed on the company's offshore operations and/or operations carried out through special-purpose organisations and on the justification of such operations. 4.14.3. The audit committee should decide whether its meetings should be attended (and if yes – when) by the chairman of the collective body, CEO and chief financier of the company (or other members of top management responsible for finances and accounting), internal auditors and external auditors. The committee should have the opportunity to meet with relevant persons without participation of executive directors and m embers of management bodies. 4.14.4. Internal and external auditors should maintain effective working relations with the administration and have unlimited opportunities to contact the collective body. For this purpose the audit committee should act as the main body for maintaining relations with internal and external auditors. 4.14.5. The audit committee should be informed about the internal audit programme and receive reports from the external auditor describing the relations between the auditor and the company and its group. The committee should receive timely information on any issues related to auditing of the company. 4.14.6. The audit committee should check whether the company complies with the current regulations governing the employees' opportunities for making complaints or report anonymously about suspicions that there are material violations in the company (mostly reporting to a member of an independent collective body) and should ensure that there are procedures for proportionate and independent investigation and relevant further actions in place. 4.14.7. The audit committee should submit reports on its activities at least once in six months at the time of approval of annual and semi-annual reports.		
4.15. Every year the collective body should make a self-assessment, which should include an assessment of the structure, organisation of work, and ability to act as a team of/by the collective body, an assessment of competence and efficiency of each member and committee of the body, and an assessment whether the body has achieved its objectives. The collective body should publish, at least once in a year (as part of information published annually by the company on its management structures and practices), relevant information on its internal organisation and operating procedures, specifying any material changes resulting from the self-assessment.	NO	The Company does not conduct evaluation of activities of a collective body and there is no practice of publishing relevant information.
Principle V: Working procedures of collective bodies of the company **The working procedures of the collective supervisory and managerial bodies should ensure effective operation and decision-adoption by these bodies and encourage active cooperation between corporate bodies**		
5.1. Collective supervisory and managerial bodies of the company (for the purposes of this Principle, *collective*	YES	

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
bodies include both supervisory and managerial bodies) are headed by chairmen. A chairman is responsible for the proper convening of meetings of a collective body. The chairman should ensure proper notification of all members of the body including the agenda of the meeting. He should also ensure proper chairing of the meetings, order at the meetings and working atmosphere during the meeting.		
5.2. It is recommended that meeting of collective bodies of the company are convened at relevant intervals under an approved schedule. A company decides itself on the periodicity of the meetings, however, it is recommended that the periodicity should ensure continues resolution of key issues of corporate management. Meetings of the supervisory council should be convened at least quarterly and meetings of the board – at least monthly.	YES	
5.3. Members of a collective body should be notified of a meeting in advance so that they have enough time to prepare for the consideration of issues at the meeting and the discussions are fruitful and followed by adoption of proper decisions. A notice of the meeting to the members of the collective body should be accompanied by any requisite materials related to the agenda. The agenda should not be amended or supplemented during the meeting except for cases when all the members of the body are present at the meeting or where issues material to the company must be urgently resolved.	YES	
5.4. In order to coordinate work of collective bodies of the company and ensure an effective decision-adoption process, chairman of the collective supervisory and managerial bodies should agree on dates of meetings and agendas and cooperate closely in resolving other issues related to the company's management. Meetings of the supervisory council should be open to members of the board, in particular where issues related to recalling or liability of the latter or setting of remuneration for the latter are resolved.	NO	Only the Board is formed at the Company.
Principle VI: Unbiased treatment of shareholders and shareholders' rights **The corporate government system should ensure unbiased treatment of all shareholders including minority shareholders and foreign shareholders. The corporate management system should protect the shareholders' rights**		
6.1. It is recommended that the company's capital consists only of those shares that grant equal right in terms of voting, ownership, dividends etc. to their holders.	YES	
6.2. It is recommended that investors are afforded the opportunity of early (i. e. prior to purchase of shares) familiarisation with the rights attached to newly issued or existing shares.	YES	
6.3. Transactions that are material to the company and its shareholders such as transfer of the company's assets, investments, mortgage or other encumbrance should be approved by the general meeting of shareholders in advance. All shareholders should be afforded equal opportunities for familiarisation with and participation in the adoption of decisions important for the company including approval of the said transactions.	YES	
6.4. Procedures for the convening and holding of general	YES	

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
meetings of shareholders should provide equal opportunities for the shareholders to take part in the meeting and should not infringe the shareholders' rights and interests. The selected place, date and time of the meeting should not prevent the shareholders from active participation in the meeting.		
6.5. In order to ensure the foreign shareholders' right to get conversant with the information, it is recommended that the documents prepared for the general meeting of shareholders, where possible, are published in advance in a publicly accessible website of the company in Lithuanian and English and/or other languages. The signed minutes of the meeting and/or decisions should also be published in a publicly accessible website of the company in Lithuanian and English and/or other languages. A document may be published on the company's website in a reduced scope if full publication could damage the company or trade secrets of the company would be disclosed.	NO	The information is published in the Lithuanian language only as most shareholders are citizens of the Republic of Lithuania residing in Lithuania.
6.6. The shareholders should be provided the opportunity to vote at the general meeting by attending or not attending the meeting in person. There should be no obstacles for the shareholders to vote in advance by completing the general ballot.	YES	
6.7. In order to increase the shareholders' opportunities for participation in the general meetings, the companies should seek to more widely apply modern technologies and to enable the shareholders to attend and vote at the general meetings by means of electronic communications. In such cases security of the information transmission and the possibility of identification of the participants and voters must be ensured. Furthermore, companies should enable shareholders, in particular those residing abroad, to observe the general meetings by means of modern technologies.	NO	The Company has not enabled it shareholders to vote by electronic means.
Principle VII: Avoiding and disclosing conflicts of interest **The corporate governance system should encourage members of the bodies to avoid conflicts of interests and ensure a transparent and effective mechanism of disclosing conflicts of interests of members of the bodies**		
7.1. A member of a managerial or supervisory body of the company should a void a situation where his personal interests conflict or may conflict with the company's interests. If such situation arises, the member should notify, within a reasonable time limit, other members of the same body or the body of the company that has elected him or the shareholders of the situation of conflict of interests, specifying the nature and, where possible, value of the interests.	YES	
7.2. A member of a managerial or supervisory body of the company may not mix the corporate assets the use of which has not been specifically considered with him with his personal assets or use the asset or the information that he receives as a member of a collective body for personal or third-party benefit unless the general meeting of shareholders or another body of the company authorised by the meeting gives its consent.	YES	
7.3. A member of a managerial or supervisory body of the company may conclude a transaction with the company having formed the relevant body. The shareholder must immediately notify the transaction (except for low value	YES	

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
transactions or transactions concluded in the normal course of business of the company and on standard terms and conditions) to other members of the same body or the body that has elected him or the shareholders; the notice may be in writing or oral, with an entry in the minutes of the meeting. Recommendation 4.5 also applies to the transactions referred to above.		
7.4. A member of a managerial or supervisory body of the company should refrain from voting when decisions on transactions or other matters with which he is connected by personal or business interests are being adopted.	YES	
Principle VIII: Corporate remuneration policy **The remuneration policy and the procedure for approving, reviewing and publishing of remuneration for directors in place in the company should prevent potential conflicts of interest and abuse in setting remuneration for directors and should ensure publicity and transparency of the corporate remuneration policy and directors' remuneration**		
8.1. The company should publish a report on its remuneration policy ("the remuneration report") which should be clear and understandable. The remuneration report should be published in the company's website and not only as part of the annual report.	NO	Only the information on remuneration of the General Manager and the Chief Financier is published by the Company.
8.2. The remuneration report should be focussed on the directors' remuneration policy in next year and where applicable in subsequent financial years. It should also contain an overview of the implementation of the remuneration policy in previous financial years.	NO	The practice of publishing relevant information does not exist.
8.3. The remuneration report should contain at least this information: 1) relationship between the variable and fixed components of the directors remuneration and explanation thereof; 2) sufficient information on criteria for the evaluation of performance results on which the entitlement to share options, to shares or to variable components of remuneration is based; 3) explanation of why the selected criteria are beneficial for long-term interests of the company; 4) explanation of the methods applied in determining whether the performance evaluation criteria are met; 5) sufficiently detailed information on periods of deferring the payment of the variable component of remuneration; 6) sufficient information on the link between remuneration and performance; 7) main criteria underlying the annual bonus system and other non-cash benefits; 8) sufficiently detailed information on the severance pay policy; 9) sufficiently detailed information on the period of granting of share-based payment as stated in item 8.15; 10) sufficiently detailed information on retaining shares upon granting of rights under item 8.15; 11) sufficiently detailed information on composition of similar groups of companies whose remuneration policies were analysed in order to formulate the remuneration policy for an associated company; 12) description of main features of an additional pension scheme or early retirement scheme intended for directors; 13) the remuneration report should not contain information that ought not to be published for commercial considerations.	NO	The practice of publishing relevant information does not exist.

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
8.4. The remuneration report should also summarise and explain the company's policy for agreements concluded with executive directors and members of management bodies. This should include, inter alia, information on the terms of agreements with executive directors and members of management bodies and periods of notice of resignation as well as detailed information on severance pay and other benefits related to the early termination of agreements with executive directors and members of management bodies.	NO	The practice of publishing relevant information does not exist.
8.5. The full amounts of remuneration and other benefits received by individual directors in the relevant financial year should be detailed in the remuneration report. This document should contain at least information referred to in items 8.5.1–8.5.4 for each person that had occupied the position of a director in the company in any period of the financial year. 8.5.1. The following information related to remuneration and/or other service income should be provided: 1) total amount of remuneration paid or payable to the director for the services provided in the past financial year including, where applicable, participation fees set in the general meeting of shareholders; 2) remuneration and benefits received from any company of the same group; 3) remuneration paid as allocation from profit and/or bonuses and reasons for granting of such bonuses and/or allocations from profit; 4) if permitted by the laws, each type of material extra pay paid to directors for special services not included in normal functions of directors; 5) compensation payable or paid to each executive director or member of management bodies who has resigned in the previous financial year; 6) total value of the benefit which is treated as remuneration and which is given in a form other than cash, if such benefit is not covered by items 1 to 5; 8.5.2. The following information related to shares and/or rights to take part in share options and/or any other rights to take part in the share-based incentive systems should be provided: 1) number of share options offered or shares allocated previous financial year and the terms and conditions thereof; 2) number of share options exercised during previous financial year specifying the number and price of the shares in each option, or the value of participation in the share-based employee incentive system as of the end of previous year; 3) number of share options unrealised as of the end of financial year, their realisation price, realisation data and main terms of exercise of the rights; 4) any changes in the terms of share options in the next financial year. 8.5.3. The following information related to the additional pension schemes should be provided: 1) in case defined benefit schemes – changes in benefits accumulated for the directors in the relevant financial year; 2) in case of defined contribution schemes – detailed information on contributions paid or payable for the director by the company in the relevant financial year; 8.5.4. Amounts paid by the company or its subsidiary or any company included in the company's consolidated financial statements as a loan, prepayment or guarantee to any person who has occupied the position of a director	NO	The practice of publishing relevant information does not exist.

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
in any period of the relevant financial year, including outstanding amounts and interest rates.		
8.6. Where the remuneration policy provides for variable components of remuneration, the company should set the limits of the variable components. The fixed component should be sufficient to allow the company not to pay the variable component in case if the performance criteria are not met.	NO	The practice of publishing relevant information does not exist.
8.7. The payment of the variable component should depend on pre-set and measurable performance evaluation criteria.	NO	The practice of publishing relevant information does not exist.
8.8. Where the variable component of the remuneration is paid, payment of the larger part of this component should be deferred for a reasonable period. The size of the deferred part of the variable component should be set based on the relative value of the variable part as compared with the fixed part of the remuneration.	NO	The practice of publishing relevant information does not exist.
8.9. Agreements with executive directors or members of management bodies should include a provision enabling the company to recover the variable part that has been paid based on the data which later appeared to be untrue.	NO	The practice of publishing relevant information does not exist.
8.10. Severance pay should not exceed a set amount or a set number of annual pay amounts and generally should not be higher than the sum of the fixed remuneration component for two years or an equivalent.	YES	
8.11. Severance pay should not be paid if employment contract is terminated on the grounds of poor performance.	YES	
8.12. Furthermore, information on the preparatory and decision-adoption processes whereby directors' remuneration policy is formulated should be disclosed. The information should include data, if applicable, on the powers and composition of the remuneration committee, names of external consultants whose services were used in the formulation of the remuneration policy, and the role of the annual general meeting of shareholders.	NO	There is no practice of publishing relevant information.
8.13. In cases where remuneration is share-based, the right to shares should not be granted during at least three years after allocation thereof.	YES	N/a
8.14. Share options or other rights to acquire shares or to receive remuneration based on share price fluctuations should not be exercised earlier than on expiry of three years after allocation. The granting of the right to the shares and the right to exercise share options or other rights to acquire shares or receive remuneration based on share price fluctuations should depend on pre-set and measurable performance evaluation criteria.	YES	N/a
8.15. Upon allocation of the rights the directors should retain a certain number of shares until the end of the term of office depending on the need to cover any expenses related to the share acquisition. The number of shares to be acquired should be pres-set, e. g. the value of annual remuneration (variable plus fixed) multiplied by two. 8.16. Remuneration to consulting directors or members of the supervisory council should not include share options.	YES	N/a

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
8.17. Shareholders, in particular institutional shareholders, should be encouraged to take part in the annual meetings of shareholders and vote on the issue of setting remuneration for the directors.	YES	
8.18. Without diminishing the role of bodies responsible for the setting of remuneration, remuneration policy and any material change therein should be included in the agenda of the annual meeting of shareholders. The remuneration report should be submitted to the general meeting of shareholders for voting. The voting results may have mandatory or advisory effect.	YES	
8.19. Schemes under which remuneration to directors is paid in shares, share options or other rights to acquire shares or receive remuneration based on share price fluctuations should be approved in advance by a decision adopted by the general meeting of shareholders. The consent should be given to the scheme itself and shareholders should not decide on the benefit received by individual directors under that scheme. Any material amendments to the scheme proposed prior to the scheme introduction date should also be approved by the decision of a general meeting of shareholders. In such cases the shareholders should be informed in detail about the proposed amendments and the potential effects thereof.	NO	The Company does not apply such schemes and the practice of publishing relevant information does not exist.
8.20. Consent of the general meeting of shareholders should be obtained for the following matters: 1) remuneration to directors under share-based schemes including share options; 2) setting of the maximum number of shares and main terms and conditions of share allocation; 3) term within which share options must be exercised; 4) terms and conditions of changing the price for the exercise of each further share option; 5) any other long-term incentive schemes for directors that are not offered to any other employees of the company on similar terms. The general meeting of shareholders should also set the final time limit for the allocation of the above-said compensations to directors by the body responsible for director's' remuneration.	NO	The Company does not apply such schemes and the practice of publishing relevant information does not exist.
8.21. If permitted by the national law or the Articles of Association of the company, the shareholders approval should also be required for each model of option permitting subscription for the shares at a price lower than market price valid as of the price-setting day or at an average market price valid several days prior to the setting of the exercise price.	NO	The Company does not apply such schemes and the practice of publishing relevant information does not exist.
8.22. Items 8.19 and 8.20 should not be applied to schemes which are offered, on similar terms and conditions, to employees of the company or of any subsidiary entitled to participate in the scheme and which were approved by the general meeting of shareholders.	NO	The Company does not apply such schemes and the practice of publishing relevant information does not exist.
8.23. Prior to the date of the general meeting of shareholders at which the decision referred to in Item 8.19 is to be considered, the shareholders should be afforded the opportunity to familiarise themselves with the draft decision and the related notice (the documents should be published on the company's website). The notice should contain the full text describing the share-based scheme or a description of the main terms and	NO	The Company does not apply such schemes and the practice of publishing relevant information does not exist.

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
conditions thereof as well as names of participants in the scheme. The notice should also specify the relationship between the schemes and the overall directors' remuneration policy. The draft decision should contain a clear reference to the scheme itself or a summary of the main terms and conditions. The shareholders should also be furnished with information on the way the company intends to secure the availability of the shares necessary for the discharge of obligations under the incentive scheme: it should be clearly indicated whether the company intends to buy the shares in the market, or keep them as a reserve, or issue new shares. In addition, an overview of the scheme costs to be incurred by the company due to the application of the scheme should be provided. The information under this item should be published in the company's website.		
Principle IX: Role of interest holders in corporate governance **The corporate governance system should recognise the statutory rights of stakeholders and promote active collaboration between them and the company in creating the company's welfare, jobs and financial stability. For the purposes of this principle, *stakeholders* include investors, employees, creditors, suppliers, customers, local community and other persons having interests in a specific company.**		
9.1. The corporate governance system should ensure respect for the statutory rights of stakeholders.	YES	
9.2. The corporate governance system should enable stakeholders to participate in the governance according to procedures established by the law. Examples of stakeholders' involvement: participation of employees in adopting decisions significant for the company, consulting with the employees on matters of the company's management and other important matters, employees' participation in the share capital, involvement of creditors in the company's management in case of insolvency of the company etc.	YES	
9.3. Where stakeholders take part in the corporate governance process, they should be enabled to access requisite information.	YES	
Principle X: Disclosure of information **The corporate governance system must ensure that information on all material issues relevant to the company, including financial position, operations and management, is disclosed timely and accurately.**		
10.1. The company should disclose information on: 1) operations and financial results of the company; 2) objectives of the company; 3) persons owning or controlling a block of shares of the company; 4) members of supervisory and management bodies of the company and the head of the company as well as their remuneration; 5) predictable key risks; 6) the company's transactions with related parties as well as transactions concluded in other way than the usual course of business; 7) main issues related to employees and other stakeholders; 8) management structure and strategies of the company. This list is to be considered a minimum one and companies are encouraged not to confine themselves to the disclosure of this information.	YES	Except (4) and (7)
10.2. In disclosing the information referred to in (1) of	YES	

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
Item 10.1, it is recommended that the controlling company discloses information on the consolidated results of the entire group of companies.		
10.3. In disclosing the information referred to in (4) of Item 10.1, it is recommended to provide information on professional experience and qualifications of members of the company's supervisory and managerial bodies and the head of the company as well as potential conflicts of interests that could influence their decisions. It is also recommended to disclose remuneration and other income received by the said persons as detailed under Principle VIII.	NO	The practice of publishing relevant information does not exist.
10.4. In disclosing the information referred to in (7) of Item 10.1, it is recommended that information on relations between the company and its stakeholders such as employees, creditors, suppliers, local community etc. is disclosed including the company's human resources policy, programmes on employees' participation in share capital etc.	NO	The practice of publishing relevant information does not exist.
10.5. The information should be disclosed in such a way that no shareholder or investor is discriminated against with respect to the method and scope of information received. The information should be disclosed to all at the same time. It is recommended that notices of material events are published prior to or after a trading session at NASDAQ OMX Vilnius so that all shareholders and investors of the company have equal opportunities to familiarise themselves with the information and to adopt relevant investment decisions.	YES	
10.6. The methods of disclosing information should ensure unbiased, timely and inexpensive access to information to the information users including free access in cases established by the law. It is recommended that information technologies are used widely for the dissemination of information, e. g. publishing of information on the company's website. Information should be published on the company's website both in Lithuanian and English as well as in other languages if possible.	YES	
10.7. It is recommended that the annual report, the financial statements and other period reports of the company are published on its website, together with the company's notices of material events and changes in the prices of the company's shares in securities exchange.	YES	
Principle XI: Selection of the company's auditor **The mechanism for the selection of an auditor for the company should ensure independence of the audit opinion.**		
11.1. In order to obtain an objective opinion of the interim and annual financial statements and the annual report of the company, they should be audited by an independent auditor.	YES	
11.2. It so recommended that the supervisory council proposes an auditor to the general meeting of shareholders, and if no supervisory council is formed, then the proposal should be made by the board.	YES	
11.3. If the auditor receives payment from the company for services other than audit services, the company	YES	

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
should disclose this to its shareholders. This information should also be disclosed to the supervisory council, and if no supervisory council is formed – to the board for the purposes of selecting the auditor that it intends to propose to the general meeting of shareholders.		

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2010
All amounts in LTL thousand unless otherwise stated

ASSETS	Notes	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Non-current assets					
Intangible assets	4	57,084	-	2,455	2,360
Property, plant and equipment	5	2,952,124	583,042	2,811,945	2,779,451
Prepayments for property, plant, equipment		43,737	175	9,648	9,648
Investment property	6	1,852	1,852	17,260	37,031
Investments in subsidiaries	7	-	622,857	-	19,564
Investments in associates and joint ventures	7	162,718	160,836	25,837	24,853
Deferred income tax assets		1,201	-	-	-
Accounts receivable	10	1,171	6,915	510	510
Other financial assets		875	-	127	-
Total non-current assets		**3,220,762**	**1,375,677**	**2,867,782**	**2,873,417**
Current assets					
Inventories	8	127,908	739	3,819	3,245
Prepayments		13,108	11,300	8,491	8,412
Trade receivables	9	179,061	97,972	170,342	164,157
Other receivables	10	20,941	5,366	77,568	78,014
Prepaid income tax		8,383	8,383	-	-
Other financial assets		243	-	-	-
Term deposits	11	-	-	17,160	17,000
Cash and cash equivalents	12	86,925	69,507	54,167	51,347
		436,569	193,267	331,547	322,175
Non-current assets classified as held for sale	13	4,166	1,543	3,205	-
Total current assets		**440,735**	**194,810**	**334,752**	**322,175**
TOTAL ASSETS		**3,661,497**	**1,570,487**	**3,202,534**	**3,195,592**

(continued on the next page)

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2010
All amounts in LTL thousand unless otherwise stated

EQUITY AND LIABILITIES	Notes	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Capital and reserves					
Share capital	14	489,283	489,283	689,515	689,515
Share premium	14	295,767	295,767	3	3
Revaluation reserve	15	8,583	6,604	346,170	343,404
Legal reserve	16	35,211	21,287	68,995	68,952
Other reserves	17	682,605	(63,777)	(63,777)	(63,777)
Retained earnings		319,775	693,434	1,614,958	1,621,740
Total equity attributable to owners of the Company		**1,831,224**	**1,442,598**	**2,655,864**	**2,659,837**
Non-controlling interest		46,351	-	-	-
Total equity		**1,877,575**	**1,442,598**	**2,655,864**	**2,659,837**
Non-current liabilities					
Borrowings	19	503,164	-	-	-
Finance lease liabilities	20	851	-	1,565	-
Grants	21	872,957	27,522	71,420	71,393
Deferred income		-	-	16,173	16,173
Other non-current accounts payable and liabilities	22	6,251	6,228	10,954	10,954
Deferred income tax liabilities	23	134,031	21,980	235,557	233,334
Total non-current liabilities		**1,517,254**	**55,730**	**335,669**	**331,854**
Current liabilities					
Borrowings	19	45,362	-	14,200	13,811
Finance lease liabilities	20	511	-	532	-
Trade payables	24	138,274	58,722	157,124	157,406
Advance amounts received		3,883	487	2,285	1,061
Income tax payable		1,405	-	16,505	16,458
Provisions for emission rights	25	54,212	-	-	-
Other accounts payable and liabilities	26	23,021	12,950	20,355	15,165
Total current liabilities		**266,668**	**72,159**	**211,001**	**203,901**
Total liabilities		**1,783,922**	**127,889**	**546,670**	**535,755**
TOTAL EQUITY AND LIABILITIES		**3,661,497**	**1,570,487**	**3,202,534**	**3,195,592**

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010
All amounts in LTL thousand unless otherwise stated

	Notes	Group 2010	Company 2010	Group 2009	Company 2009
Revenue					
Sales revenue	27	1,237,100	981,930	265,224	265,224
Other operating income	29	40,253	674	21,524	396
		1,277,353	**982,604**	**286,748**	**265,620**
Operating expenses					
Purchase of electricity and related services		(881,272)	(830,277)	(172,261)	(172,261)
Purchase of gas		(125,325)	-	-	-
Depreciation and amortisation		(35,822)	(23,174)	(3,075)	(1,869)
Wages and related expenses		(37,752)	(17,851)	(3,994)	(1,078)
Repair and maintenance expenses		(9,658)	(2,765)	(255)	(255)
(Write-down)/reversal of write-down of inventories to net realisable value	8	(6,773)	515	(1,170)	(187)
Expenses arising from revaluation of emission rights and provision expense	4,21,25	(13,975)	-	-	-
Impairment of investments in subsidiaries and associates	7	(146)	(5,746)	-	(307)
(Loss)/reversal of loss on revaluation and impairment of property, plant and equipment		1,349	-	(866)	(866)
Other expenses		(43,843)	(20,943)	(23,648)	(2,446)
Total operating expenses		**(1,153,217)**	**(900,241)**	**(205,269)**	**(179,269)**
OPERATING PROFIT		**124,136**	**82,363**	**81,479**	**86,351**
Finance income	30	3,941	3,124	9,478	9,479
Finance (costs):					
Share of results of activities of associates and joint ventures	7	54	-	138	-
Other finance (costs)	31	(3,087)	(502)	(1,939)	(1,701)
		908	2,622	7,677	7,778
PROFIT BEFORE INCOME TAX		**125,044**	**84,985**	**89,156**	**94,129**
Current year income tax expense	23	(16,414)	(11,542)	(44,644)	(44,564)
Deferred tax income/(expense)	23	21,800	20,122	40,347	40,794
		5,386	8,580	(4,297)	(3,770)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**130,430**	**93,565**	**84,859**	**90,359**
DISCONTINUED OPERATIONS					
(Loss) for the year from discontinued operations, net of income tax	32	(6,426)	(47,600)	(64,276)	(61,365)
PROFIT FOR THE YEAR		**124,004**	**45,965**	**20,583**	**28,994**

(continued on the next page)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010
All amounts in LTL thousand unless otherwise stated

	Notes	Group 2010	Company 2010	Group 2009	Company 2009
Other comprehensive income (loss)					
(Loss)/gain on revaluation of property, plant and equipment	4,5	28,335	28,335	(155,774)	(151,709)
Impairment of investment property	6	-	-	(6,362)	(6,362)
Other comprehensive income		-	-	(765)	-
Deferred income tax related to loss/(gain) on revaluation of property, plant and equipment and impairment of investment property	23	(4,250)	(4,250)	52,637	51,797
Deferred income tax related to deemed cost	23	-	-	55,818	55,818
Other comprehensive income, net of deferred income tax		24,085	24,085	(54,446)	(50,456)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**148,089**	**70,050**	**(33,863)**	**(21,462)**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company		122,977	45,965	20,583	28,994
Non-controlling interest		1,027	-	-	-
		124,004	**45,965**	**20,583**	**28,994**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company		147,062	70,050	(33,863)	(21,462)
Non-controlling interest		1,027	-	-	-
		148,089	**70,050**	**(33,863)**	**(21,462)**
Basic and diluted earnings per share (in LTL) from continuing operations	34	**0.16**		**0.13**	
Basic and diluted (deficit) per share (in LTL) from discontinued operations	32	**(0.01)**		**(0.09)**	

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010
All amounts in LTL thousand unless otherwise stated

		Attributable to owners of the Company									
Group	**No-tes**	**Share capital**	**Share premium**	**Revalua-tion reserve**	**Legal reserve**	**Other reserves**	**Retained earnings (deficit)**	**Foreign currency translation reserve**	**Total**	**Non-contro-lling interest**	**Total equity**
Balance at 31 December 2008		**689,515**	**3**	**492,723**	**70,794**	**1,454,530**	**(17,820)**	**(18)**	**2,689,727**	**1**	**2,689,728**
Depreciation of revaluation reserve	15	-	-	(37,054)	-	-	37,054	-	-	-	-
Other transfers to/from the reserves	17	-	-	-	(1,799)	(1,518,307)	1,520,106	-	-	-	-
Comprehensive income		-	-	(109,499)	-	-	75,618	18	(33,863)	(1)	(33,864)
Balance at 31 December 2009		**689,515**	**3**	**346,170**	**68,995**	**(63,777)**	**1,614,958**	**-**	**2,655,864**	**-**	**2,655,864**
Balance at 31 December 2009		**689,515**	**3**	**346,170**	**68,995**	**(63,777)**	**1,614,958**	**-**	**2,655,864**	**-**	**2,655,864**
Share capital increase	14	304,099	325,386	-	-	-		-	629,485	-	629,485
Acquisition of subsidiaries	7	-	-	-	13,946	746,382	(390,125)	-	370,203	48,676	418,879
Unbundling of LITGRID Turtas AB	38	(504,331)	(29,622)	(299,582)	(47,730)	-	(1,041,859)	-	(1,923,124)	(3,352)	(1,926,476)
Depreciation of revaluation reserve	15	-	-	(24,727)	-	-	24,727	-	-	-	-
Transfer of revaluation reserve of assets contributed to share capital of subsidiaries and associates	15	-	-	(36,488)	-	-	36,488	-	-	-	-
Dividends paid	18	-	-	-	-	-	(48,266)	-	(48,266)	-	(48,266)
Adjustment to previous year		-	-	(875)	-	-	875	-	-	-	-
Comprehensive income		-	-	24,085	-	-	122,977	-	147,062	1,027	148,089
Balance at 31 December 2010		**489,283**	**295,767**	**8,583**	**35,211**	**682,605**	**319,775**	**-**	**1,831,224**	**46,351**	**1,877,575**

(continued on the next page)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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	15	-	-	(33,552)	-	-	33,552	-
Other transfers to/from the reserves	17	-	-		-	(1,515,348)	1,515,348	-
Comprehensive income		-	-	(106,274)	-	-	84,812	(21,462)
Balance at 31 December 2009		**689,515**	**3**	**343,404**	**68,952**	**(63,777)**	**1,621,740**	**2,659,837**
Balance at 31 December 2009		**689,515**	**3**	**343,404**	**68,952**	**(63,777)**	**1,621,740**	**2,659,837**
Share capital increase	14	304,099	325,386	-	-	-	-	629,485
Unbundling of LITGRID Turtas AB	38	(504,331)	(29,622)	(299,582)	(47,665)	-	(987,397)	(1,868,597)
Depreciation of revaluation reserve	15	-	-	(24,727)	-	-	24,727	-
Transfer of revaluation reserve of assets contributed to share capital of subsidiaries and associates	15	-	-	(35,701)	-	-	35,701	-
Dividends paid	18	-	-	-	-	-	(48,266)	(48,266)
Adjustment to previous year		-	-	(875)	-	-	964	89
Comprehensive income		-	-	24,085	-	-	45,965	70,050
Balance at 31 December 2010		**489,283**	**295,767**	**6,604**	**21,287**	**(63,777)**	**693,434**	**1,442,598**

(end)

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010
All amounts in LTL thousand unless otherwise stated

	Notes	Group 2010	Company 2010	Group 2009	Company 2009
Profit from continuing and discontinued operations		**124,004**	**45,965**	**20,583**	**28,994**
Reversal of non-cash expenses (income) and other adjustments					
Depreciation and amortisation expense	4,5,6	166,994	153,955	182,051	179,328
Loss on revaluation of property, plant and equipment	5	11,378	11,380	81,160	81,034
Write-down/(reversal of write-down) of inventories to net realisable value		6,773	(515)	1,170	187
(Gain) on disposal of investments in subsidiaries and associates	32	(5,185)	(1,314)	-	-
Impairment of investments in subsidiaries and associates		146	5,746	-	-
Expenses arising from revaluation of emission rights and provision expense		13,975	-	-	-
Other impairments/(reversal)		(895)	(1,439)	(924)	(938)
Share of (profit) of associates and joint ventures		(54)	-	(138)	-
Income tax expense		16,414	11,542	44,644	44,564
Change in deferred income tax liability		(21,800)	(20,122)	(40,347)	(40,794)
(Income) from grants	21	(3,204)	(2,492)	(2,640)	(2,620)
(Decrease) in other provisions		(1,159)	(948)	(26,183)	(26,183)
Loss on disposal/write-off of non-current assets	4,5	3,722	1,808	1,855	1,198
Elimination of results of financing and investing activities:					
- Interest (income)	30	(2,838)	(2,419)	(7,828)	(7,928)
- Interest expense	31	1,548	454	1,547	1,445
- Other finance (income) costs		-	(300)	(1,487)	(1,508)
Changes in working capital					
(Increase) decrease in trade receivables and other amounts receivable		(47,918)	60,088	(20,710)	(23,847)
(Increase) decrease in inventories and prepayments		5,654	2,991	(786)	(5,703)
Increase (decrease) in accounts payable and advance amounts received		56,686	(101,702)	10,342	13,363
Income tax (paid)		(29,104)	(27,657)	(39,053)	(39,025)
Net cash generated from operating activities		**295,137**	**135,021**	**203,256**	**201,567**
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets		(327,596)	(60,138)	(123,435)	(120,083)
Loans (granted)		-	(8,940)	(74,000)	(76,250)
Term deposits		(8,840)	17,000	(16,960)	(17,000)
(Acquisition) of bonds		-	-	(39,705)	(39,705)
Disposal of bonds		-	-	55,699	55,699
(Acquisition) of investments in subsidiaries, net of cash acquired	7	21,803	(7,150)	-	(1,803)
(Acquisition) of investments in associates	7	(3,250)	(950)	-	-
Grants received		1,128	1,128	-	-
Interest received		405	1,097	7,141	7,088
Net cash (used in) investing activities		**(316,350)**	**(57,953)**	**(191,260)**	**(192,054)**
Cash flows from financing activities					
Proceeds from borrowings		158,612	-	118	-
Repayments of borrowings		(20,807)	(13,811)	(25,896)	(25,896)
Finance lease payments		(735)	-	(392)	-
Interest (paid)		(9,157)	(545)	(2,103)	(1,863)
Dividends (paid)		(1,737)	(1,737)	(13)	(13)
Cash paid to shareholders during the unbundling of LITGRID Turtas AB	38	(98,727)	(42,815)	-	-
Net cash received from/ (used in) financing activities		**27,449**	**(58,908)**	**(28,286)**	**(27,772)**
Net increase (decrease) in cash flows		**6,236**	**18,160**	**(16,290)**	**(18,259)**
Cash and cash equivalents at the beginning of the year	12	**54,167**	**51,347**	**70,457**	**69,606**
Cash and cash equivalents at end of the year	12	**60,403**	**69,507**	**54,167**	**51,347**

The accompanying notes form an integral part of the financial statements

1 *General information*

Lietuvos Energija AB is a public company registered in the Republic of Lithuania. After the approval of a new version of the Company's Articles of Association on 5 October 2010 the address of the Company's registered office was changed and now the Company is located at Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania. Lietuvos Energija AB (hereinafter referred to as the "Company") is a limited liability profit-making entity, registered in 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.

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 Shareholders Agreement of the national investor company LEO LT, AB was signed on 27 May 2008. Immediately after that, the extraordinary general shareholders' meeting of LEO LT, AB was convened where it was decided to increase the share capital of LEO LT, AB by the in-kind contributions of the shareholders – shares of VST AB, Rytų Skirstomieji Tinklai AB and Lietuvos Energija AB. On 04 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 (hereinafter "VAE") which held 97.50 per cent of the Company's shares as at 31 December 2010. The remaining 2.50 per cent stake of the Company's shares is held by other shareholders.

As at 31 December 2009, the share capital of the Company was LTL 689,515,435 and it was divided into 689,515,435 ordinary registered shares with the par value of LTL 1 each. On 8 September 2010, the share capital of the Company was increased from LTL 689,515,435 to LTL 993,614,306 and it was divided into 993,614,306 ordinary registered shares with the par value of LTL 1 each. After the passing of the decision at the Extraordinary General Meeting of Shareholder of Lietuvos Energija AB held on 28 October 2010 which approved the unbundling of Lietuvos Energija AB, the amended Articles of Association of Lietuvos Energija AB were registered with the Register of Legal Entities on 16 November 2010 along with the company LITGRID Turtas AB established on the basis of a separated part of Lietuvos Energija AB, which continues its activities after the unbundling. The newly established company is engaged in activities that were assigned to it after the unbundling. On 30 November 2010, a part of the share capital of Lietuvos Energija AB transferred to the newly established company amounted to LTL 504,331,380. More detailed information on the unbundling is presented in Note 38. After the unbundling the share capital of Lietuvos Energija AB amounts to LTL 489,282,926 and is divided into 489,282,926 ordinary registered shares with the par value of LTL 1 each. No changes were introduced to the Company's share capital in 2009. 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.

The core activities of the Company in 2010 included electricity production, electricity 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. During 2010, significant changes were introduced to the activities of the Company and the Group as a result of the implementation of the energy sector restructuring plan. The main changes are related to the separation of functions attributable to the transmission system operator and related maintenance activities from the activities of the Company and the Group and the concentration of electricity production activity within the Company and the Group. More detailed information on these changes is provided in Notes 7, 32 and 38.

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

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

The Company has licenses 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 AB. Under the requirements of the EU legislative acts on the liberalisation of electric power market, the following subsidiaries of Lietuvos Energija AB established for the purpose of separating specific activities from the Company were issued activity licenses on 28 December 2009: the subsidiary LITGRID AB was granted a license of the electricity transmission system operator and the subsidiary BALTPOOL UAB was granted a license of the electricity market operator. With effect from 30 November 2010 both these companies were separated from the Group and are owned by LITGRID Turtas AB as at 31 December 2010. On 28 December 2009, Lietuvos Energija AB was issued with a license of the independent electricity provider. The subsidiaries of the Company Lietuvos Elektrinė AB and Energijos Teikimas UAB have also acquired licenses 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), Geoterma UAB (Lithuania), Technologijų ir Inovacijų Centras UAB (Lithuania), NT Valdos UAB (Lithuania), Lietuvos Elektrinė AB (Lithuania), Kauno Energetikos Remontas UAB (Lithuania), Energijos Tiekimas UAB (Lithuania), Data Logistics Center UAB (Lithuania). Indirectly, through Kauno Energetikos Remontas UAB, the Company had majority of votes in Gotlitas UAB (Lithuania) and the Company also exercised significant influence over Enmašas UAB (Lithuania). Further information about subsidiaries, associates and joint ventures and their changes during 2010 is presented in Note 7.

1 *General information (continued)*

The consolidated financial statements of Lietuvos Energija AB and its subsidiaries and the stand-alone financial statements of Lietuvos Energija AB as a parent company are presented in these financial statements.

As at 31 December 2010, the Group consisted of Lietuvos Energija AB and the following directly and indirectly controlled subsidiaries:

Company	Address of the company's registered office	Shareholding of the Group at 31 December 2010	Share capital of the subsidiary at 31 December 2010	Profit (loss) for 2010	Equity at 31 December 2010	Principal activities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100 %	31,341	(7,311)	16,139	Repair of energy equipment, production of metal structures
Gotlitas UAB (controlled through Kauno Energetikos Remontas UAB)	R.Kalantos g. 119, Kaunas, Lithuania	100 %	1,100	183	1,547	Accommodation services, trade
Lietuvos Elektrinė AB	Elektrinės g. 21, Elektrėnai, Lithuania	95.54 %	145,801	16,110*	1,030,025	Electricity generation
Data Logistics Center UAB	Juozapavičiaus g. 13, Vilnius, Lithuania	100 %	12,847	588	13,452	IT services
Energijos Tiekimas UAB	Žvejų g. 14, Vilnius, Lithuania	100 %	750	4,601	5,316	Independent electricity supply

* The result of operations of Lietuvos Elektrinė AB for 2010 is presented from 31 August 2010, i.e. for the period when control was acquired by the Group.

As at 31 December 2009, the Group consisted of Lietuvos Energija AB and the following directly and indirectly controlled subsidiaries:

Company	Address of the company's registered office	Shareholding of the Group at 31 December 2009	Share capital of the subsidiary at 31 December 2009	Profit (loss) for 2009	Equity at 31 December 2009	Principal activities
Energetikos Pajėgos UAB	T.Masiulio g. 16D, Kaunas, Lithuania	100 %	430	232	824	Engineering of energy facilities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100 %	31,341	(7,750)	23,767	Repair of energy equipment, production of metal structures
Kruonio Investicijos UAB	Kruonio IIk., Kaišiadorys region, Lithuania	100 %	2,361	(179)	1,575	Development of public and recreational projects
Gotlitas UAB (controlled through Kauno Energetikos Remontas UAB)	R.Kalantos g. 119, Kaunas, Lithuania	100 %	1,450	(20)	1,743	Accommodation services, trade
LITGRID UAB	Juozapavičiaus g. 13, Vilnius, Lithuania	100 %	500	(46)	454	Activities related to the electricity transmission system operator
BALTPOOL UAB (controlled through LITGRID UAB)	Juozapavičiaus g. 13, Vilnius, Lithuania	100 %	300	(11)	64	Activities related to the electricity market operator
Interlinks UAB	Žvejų g. 14, Vilnius, Lithuania	100 %	1,000	(1,945)	(675)	Development and implementation of projects on electricity transmission interconnections
Energijos Tiekimas UAB	Žvejų g. 14, Vilnius, Lithuania	100 %	400	(35)	365	Independent electricity supply
Respublikinis energetikų mokymo centras VšĮ	Jeruzalės g. 21, Vilnius, Lithuania	100 %	294	(648)	295	Professional development and further training of energy specialists

As at 31 December 2010, the number of employees of the Group was 946 (31 December 2009: 1,227). As at 31 December 2010, the number of employees of the Company was 231 (31 December 2009: 889).

The shareholders of the Company have a statutory right to approve these financial statements or not to approve and to require preparation of a new set of the financial statements.

2 Accounting policies

Presented below are the principal accounting policies adopted in the preparation of the Group's and the Company's financial statements for the year 2010.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (the "EU").

These financial statements were prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment losses (Note 2.7), emission rights (Note 2.11) and financial instruments which are carried at fair value (Note 2.12).

The 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 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 financial statements (see paragraph 2.22 of the accounting policies).

IAS 27, 'Consolidated and separate financial statements' (revised in January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. None of the amendments had material effect on the Group's and Company's financial statements.

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). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. None of the amendments had material effect on the Group's and Company's financial statements.

2 *Accounting policies (continued)*

2.2 Change of accounting policy (continued)

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

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 (April 2009). In 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).

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 July 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 01 July 2009).

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).

Embedded derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 31 December 2009).

Additional exemptions for first-time adopters – Amendments to IFRS 1 (effective for annual periods beginning on or after 1 January 2010).

Amendment to IFRS 5, 'Non-current assets held for sale and discontinued operations' (and consequential amendments to IFRS 1) (effective for annual periods beginning on or after 1 July 2009).

2 *Accounting policies (continued)*

2.2 Change of accounting policy (continued)

Standards, interpretations and their amendments that are not yet effective and have not been early adopted by the Company and the Group

IAS 24, 'Related party disclosures' (amended in November 2009; effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. 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 1 January 2013; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets and liabilities. The Group and the Company are considering the implications of the standard and the timing of its adoption.

Classification of rights issues – Amendment to IAS 32, 'Financial instruments: Presentation' (effective for annual periods beginning on or after 1 February 2010). These amendments are unlikely to have a material impact on the Group's and Company's financial statements.

Prepayments of a minimum funding requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). These amendments will not have any impact on the Company's and the Group's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective for annual periods beginning on or after 1 July 2010). This interpretation will not have any impact on the Group's and Company's financial statements.

Limited exemptions from comparative IFRS 7 disclosures for first-time adopters – Amendments to IFRS 1 (effective for annual periods beginning on or after 1 July 2010 once adopted by the EU). This interpretation does not have any impact on the Group's and Company's financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010; effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 01 January 2010; the improvements have not yet been adopted by the EU).

Disclosures—Transfers of financial assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU).

Deferred Tax: Recovery of underlying assets – Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU).

Severe hyperinflation and removal of fixed dates for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU).

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 periods, using uniform 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. For the purpose of preparation of the Group's consolidated financial statements total comprehensive income of subsidiaries was attributed to owners of the parent company from the date when effective control was transferred to the Company.

2 *Accounting policies (continued)*

2.4 Business combinations

Acquisition of subsidiaries, except for acquisitions between jointly controlled companies, is accounted for using the acquisition 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.

All acquisition-related costs are expensed. The acquiree's identifiable assets acquired, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

IFRS 3, 'Business combinations' is not applied to acquisitions of subsidiaries between jointly controlled entities, therefore such acquisitions were recognised using predecessor accounting. The Group did not restate assets and liabilities to their fair value as at the acquisition date; instead the Group combined assets and liabilities at their carrying amounts. No goodwill arises in predecessor accounting and the consolidated financial statements incorporate the combined companies' results from the date of acquisition.

The Group applies a policy of treating transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.5 Investments in subsidiaries (the Company)

Subsidiary is an entity directly or indirectly controlled by a parent company and in which a parent company has a shareholding of more than one half of the voting rights. 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. Cost also includes directly attributable expenditure.

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 generally accompanying a shareholding from 20 to 50 per cent. 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. The Group's share of post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

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 in 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, unrealised profits or losses are eliminated to the extent of the Group's interest in the relevant entity.

2 *Accounting policies (continued)*

2.6 Investments in associates and joint ventures (continued)

Financial guarantees provided for the liabilities of the associates at the initial recognition are accounted for at estimated fair value as the investment into associates and financial liability in the statement of financial position. The fair value is estimated as the difference between the fair value of the liabilities with the guarantee and the fair value of such liabilities without the guarantee. 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.

Property, plant and equipment, including categories of assets of the hydro power plant, pumped storage power plant and thermal power plant, is accounted for at cost less accumulated depreciation and impairment. Other property, plant and equipment is shown at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent valuers, 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 to revaluation reserve directly in 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 to revaluation reserve, whereas decreases in the carrying amount that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Revaluation increases in property plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax.

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

Intangible assets

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

Subsequent to initial recognition, intangible assets, except for emission rights (see Note 2.11) 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).

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.

2 *Accounting policies (continued)*

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

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 and equipment	
- electricity and communication devices	20 - 25
- electricity equipment	15 - 35
- other equipment	5 - 20
Structures and equipment of Hydro Power Plant and Pumped Storage Plant	
- hydro technical waterway structures and equipment	75
- pressure pipelines	50
- hydro technical turbines	25 - 40
- other equipment	8 - 15
Structures and equipment of Thermal Power Plant	
- constructions and infrastructure	10 - 70
- thermal and electricity equipment	10- 60
- measuring devices and equipment	5 - 30
- other equipment and tools	8 - 15
Motor vehicles	4 - 10
Other property, plant and equipment:	5 - 40
- 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 repair and maintenance costs are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

2.8 Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group and the Company review the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets of the Group and the Company are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each reporting date, and whenever there is an indication that the asset may be impaired.

2 *Accounting policies (continued)*

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

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

2.9 Investment property

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

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

2.10 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.

2.11 Emission rights

Following the implementation of the EU Directive 2003/07/EC, the greenhouse gas emissions trading system was developed which came into force on 1 January 2005. The first operating phase of this system covered the period of 3 years which started in 2005 and ended in 2007; the second phase covers the period of 5 years starting in 2008 and ending in 2012, thus coinciding with the period detailed in the Kyoto Agreement. The system functions on the cap and trade basis. The governments of the EU Member States are required to fix the caps for the amounts of emissions for each object involved in the system with respect to each operating phase of the system. These caps are specified in the National Allocation Plan to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). The National Allocation Plan determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each pollution object and each operating phase and allocates annual emission rights.

A Member State has an obligation to allocate emission rights by 28 February of each year in accordance with the National Allocation Plan (a part of emission rights are set aside for new objects).

A Member State is to assure that a manager of each pollution object submits data on actual amount of gas emitted to the environment by the object during the current calendar year not later than by 30 April of the next year.

Intangible assets
The EU emission rights are treated as intangible assets that were provided by the state in the form of non-monetary grant and that should be accounted for at fair value at the moment of their issuance or transfer.

After the initial recognition emission rights are revalued at fair value using the active market prices. Increases in the carrying amount arising on the revaluation of emission rights are credited against revaluation reserve directly to equity and decreases in excess of the previously accumulated amount in the revaluation reserve are recognised in the profit and loss account. On realisation of emission rights, the respective positive balance of the revaluation reserve is taken directly to retained earnings.

2 Accounting policies (continued)

2.11 Emission rights (continued)

Government grant
The EU emission rights provided to the Company free of charge are treated as a non-monetary government grant which is recognised at fair value at the date of its receipt or issuance. Subsequently, the government grant is recognised as income in proportion to the utilisation of emission rights during the validity period of emission rights or upon its disposal.

Provision for the utilisation of emission rights
After gas is emitted to the environment a liability arises to settle for pollution with the state using emission rights whose nominal value is to correspond to the quantity of gas emitted. Such a liability is a provision which is measured at a value equal to expenses to be incurred for the settlement of this liability at the date of the preparation of the statement of financial position. The liability can be offset against intangible assets only when the quantity of emitted gas is approved by the responsible regulating state authority. Changes in value of the liability are recognised in profit or loss and presented in the statement of comprehensive income.

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 Group's/Company's financial assets include cash and short-term deposits, trade and other receivables, loans and investments in derivatives and are classified into two categories: financial assets at fair value through profit or loss and loans and receivables.

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

Financial assets at fair value through profit or loss

Such financial instruments are primarily held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are classified as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of comprehensive income as gains less losses from derivative instruments.

Loans and receivables

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

Effective interest rate method

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

2 Accounting policies (continued)

2.12 Financial assets (continued)

Impairment of financial assets

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date that would have been determined had no impairment loss been recognised for the asset in prior years.

Derecognition of financial assets

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

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

2.13 Inventories

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realisable value. Acquisition cost of inventories includes acquisition price and related taxes, and costs associated with bringing inventory into their current condition and location. Cost is determined on the first-in, first-out (FIFO) basis. Net realisable value is the estimated 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, demand 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 *Accounting policies (continued)*

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 substance 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 proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

Financial liabilities

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

Other financial liabilities

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

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest rate method (see Note 2.13).

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

Derecognition of financial liabilities

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

2.16 Foreign currency

Foreign currency transactions are accounted for using the exchange rates prevailing at the dates of transactions as established by the Bank of Lithuania, which approximate market exchange rates. Monetary assets and liabilities are translated into the litas using the exchange rate prevailing at 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, the Lithuanian Litas is pegged to euro at the rate of 3.4528 Litas for 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania. The applicable rates used for principal currencies were as follows:

At 31 December 2010			At 31 December 2009		
1 LVL	=	4.8646 LTL	1 LVL	=	4.8679 LTL
100 RUB	=	8.5535 LTL	100 RUB	=	7.9465 LTL
10 SEK	=	3.8407 LTL	10 SEK	=	3.3449 LTL
1 USD	=	2.6099 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 the litas, which is the functional currency of the Company and the presentation currency of the consolidated Group's financial statements.

2 *Accounting policies (continued)*

2.16 Foreign currency (continued)

When preparing separate financial statements of the Group companies, transactions denominated in currencies other than the functional currency of the company (in foreign currencies) are carried using exchange rates prevailing at the dates of transactions. At each balance sheet date monetary items denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary items measured at fair value and denominated in foreign currency are translated using the exchange rate prevailing at the date when 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 the litas for the preparation of consolidated financial statements using the exchange rate prevailing at the balance sheet date. Income and expenses (including comparative figures) are translated into the litas using the average exchange rate of the period, unless there were significant fluctuations of the exchange rate during the reporting period in which case an exchange rate prevailing at the date of the 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 in the period in which the foreign subsidiary is disposed.

2.17 Grants

Asset-related grants

Government and the European Union grants and third party compensations received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Grants are initially recorded as liability at fair value of the asset and later recognised in the statement of comprehensive income, 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. These grants are recognised in the statement of comprehensive income, net of related expenditure.

2.18 Provisions

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

Provisions for pension benefits

Each employee is entitled to 2 months salary payment when leaving the job at or after the start of pension period according to Lithuanian legislation. Actuarial calculations are made to determine liability for this pension benefit. The liability is recognised at present value discounted using a market interest rate.

2.19 Employee benefits

(a) Social security contributions

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

(b) Termination benefits

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

2 *Accounting policies (continued)*

2.19 Employee benefits (continued)

(c) Bonus plans

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

2.20 Accounting for lease

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

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

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

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

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

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

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

2.21 Segment information

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

2.22 Income and expense recognition

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

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

Revenue from sale of electricity acquired at an auction, electricity export and public service obligations (PSO) electricity sales is recognised when substantially all risks and rewards related to the object of sale have been transferred to the buyer. The Company does not recognise revenue and expenses from transmission trading in the trading exchange with respect to those transaction in which it acts as an agent.

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

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

Tariff regulation

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

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

Tariffs for imported and exported electricity are not regulated.

2 *Accounting policies (continued)*

2.22 Revenue and expense recognition (continued)

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 users

Until 2009 payments received for the connection of the new users initially were recognised as deferred income and subsequently recognised as income over the same period during which the related costs of installation are 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 user provided that the electricity price to be paid by the new user in future for services rendered/purchased by the Company/Group does not differ from the price paid by other users who have not made payments for connection.

Repair service revenue

Revenue from customer specific agreements/projects, i.e. repair services (Note 29), is recognised based on the proportion of the work completed, which is estimated by comparing actually incurred costs on the project with the project's total estimated cost. Expected change in the profitability is accounted for in the statement of comprehensive income when such change is determined. Projects are reviewed periodically and if determined that a contract will be loss-making, respective provisions are accounted for.

Other income

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

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

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

Recognition of expenses

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

2.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. Interest income that relate to temporal investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

Other borrowing costs are recognised as expenses in the income statement as incurred.

2.24 Income tax expense

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

Income tax expense

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. Standard income tax rate in Lithuania was 15 per cent in the year 2010 (in year 2009 – 20 per cent).

2 *Accounting policies (continued)*

2.24 Income tax (continued)

Deferred income tax

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

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

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

Income tax and deferred tax for the accounting period

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

2.25 Earnings per share

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

As at 31 December 2010, the weighted average number of shares, based on which the earnings per share are calculated was 759,156,685 (31 December 2009: 689,515,435). As at 31 December 2010 and 31 December 2009 as well as during the periods ending at these dates, the Company had no dilutive options outstanding, therefore, basic and diluted earnings per share do not differ.

2.26 Contingencies

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

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

2.27 Post-balance-sheet events

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

2.28 Related parties

Related parties are defined as shareholders, employees, members of the Board, their close relatives and companies that directly or indirectly (through the intermediary) control or are controlled by, or are under common control with, the Group and the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

2 *Accounting policies (continued)*

2.29 Offsetting

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

2.30 Discontinued operations

When preparing the consolidated statement of comprehensive income all inter-company transactions between discontinued and continuing operations that are intended to be conducted by the group companies after the discontinuance are not eliminated, i.e. they are presented as if they were conducted with third parties. Accordingly, all income tax expenses of the group company related to both the continuing and discontinued operations are attributable to continuing operations.

3 *Critical accounting estimates and judgments*

The preparation of financial statements in conformity with 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 5 and 6), evaluation of impairment for accounts receivable and investments (Notes 9, 7, 10), valuation of inventory at net realisable value (Note 8), estimation of provisions for emission rights (Note 25), percentage of completion evaluation for repair service contracts (Notes 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.

<u>Tax audits</u>

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.

<u>Depreciation rates of property, plant and equipment</u>

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.

<u>Revaluation of property, plant and equipment</u>

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

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.

In October 2010, independent property valuers carried out the valuation of non-current assets which were contributed to the share capital of subsidiaries and associates. For further information see Note 5.

On 31 December 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 31 December 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.

From 1 December 2010, after the unbundling of LITGRID Turtas AB as disclosed in Note 38, the Group's and the Company's property, plant and equipment carried at revalued amount were reduced significantly. Taking into consideration the date when the last revaluation of these assets was performed and their acquisition dates, management believes that as at 31 December 2010 the fair value of the Group's and the Company's property, plant and equipment carried at revalued amount did not significantly differ from its carrying amount.

3 Significant accounting estimates and judgments (continued)

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.

In 2010 and 2009, the Group and the Company accounted for property, plant and equipment, except for assets of the Hydro Power Plant, Pumped Storage Power Plant and Thermal Power Plant, at fair value in accordance with International Accounting Standard No.16 'Property, plant and equipment'. Fair value of most 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 the 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. The value of property, plant and equipment should be reduced if its carrying value in the statement of financial position is higher than either its value in use or fair value less cost to sell. In other words, this means that the carrying amount of property, plant and equipment shown 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 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 may have a significant negative impact on the fair value of property, plant and equipment. Due to the reasons specified, values of property, plant and equipment reported in these financial statements may materially differ from those that would be determined if the valuation of assets were performed by independent valuers as required by International Valuation and Accounting Standards. It is probable that such valuation would have a negative effect on the results of the Company' and Group's activities and the shareholders' equity reported in the financial statements for the year 2009.

Valuation of fair values of property, plant and equipment as at 31 December 2009 was not performed by independent valuers, as the mentioned amendments to regulatory legislation came in force only on 1 January 2010 and the impact of these amendments on the Group's and the Company's ability to earn income in future periods could not be reliably estimated. For information on performed revaluation of property, plant and equipment see paragraph 'Revaluation of property, plant and equipment' and Note 5.

As of 31 December 2010, impairment of property, plant and equipment of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant was assessed using the discounted cash flow method. The assessment took into account projected production volumes, income and expenses that will be incurred to earn income over the entire estimated period of the use of assets. The assessment included assumptions that production volumes, income and profit of both power plants will increase or remain stable, electricity purchase and sale prices established based on long-term price forecasts. A discount rate of 10,6 per cent was used. As values in use established with respect to Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant were higher than carrying amounts of respective property, plant and equipment, no impairment was recognised.

On 31 December 2010, the Group determined that no impairment indicators existed with respect to property, plant and equipment (category of the thermal power plant assets and related construction in progress) of subsidiary company Lietuvos Elektrinė AB in the view of probable resolution of significant uncertainties relating to future PSO electricity tariffs. These material uncertainties arise from likely changes in future electricity tariffs, regulated profit margin as well as changes effective from 1 January 2011 to the PSO scheme, which impacts the volumes of the production. Under the new PSO scheme the Group will receive PSO service fees only for annual electricity actually produced. Accordingly, the Group did not perform any impairment calculations in respect of property, plant and equipment of the thermal power plant and believes that impairment adjustments might be necessary after the resolution of these uncertainties.

3 Significant accounting estimates and judgments (continued)

Impairment of investments in subsidiaries (in the Company)

The recoverable amount of the investment in subsidiary Kauno Energetikos Remontas UAB as at 31 December 2010 was estimated by discounting future cash flows using a 10 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. Increase in revenue is also linked with the tender awarded to the Company for the reconstruction of Panevėžys transformer substation. Based on the above-mentioned assumptions, the estimated recoverable amount was lower than the carrying amount of the investment as at 31 December 2010, therefore an additional impairment of LTL 5,600 thousand was accounted for with respect to the investment in the subsidiary (Note 7).

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 reorganizational 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 also linked with the tender awarded to the Company for the reconstruction of Panevėžys transformer substation of LITGRID turtas 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.

Write-down of inventory to net realisable value

Write-down of inventory to the net realisable value was determined based on the management's estimates on inventory obsolescence and estimated selling prices. This determination requires significant judgement. Judgement is exercised based on historical and estimated usage of spare parts and materials as well as estimated selling price and other factors.

Provision for the utilisation of emission rights

The Group estimates the provision for emission rights based on actual quantity of emission made during the reporting period multiplied by the market price of one emission right unit. The actual quantity of emission is approved by the responsible regulating state authority within 4 months after the year-end. Based on the experience, the management of the Group does not expect any material differences between the estimated provision amounts as at 31 December 2010 and the amounts, which will be approved in 2011.

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

4 *Intangible assets*

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

Group	Patents and licenses	Computer software	Emission rights	Other intangible assets	Total
At 31 December 2008					
Cost	2,358	18,100	-	36	20,494
Accumulated amortisation	(2,222)	(14,997)	-	(21)	(17,240)
Accumulated impairment	-	(105)	-	-	(105)
Net book amount at 31 December 2008	**136**	**2,998**	**-**	**15**	**3,149**
Year ended 31 December 2009					
Opening net book amount	136	2,998	-	15	3,149
Additions	-	1,012	-	18	1,030
Amortisation charge	(125)	(1,589)	-	(10)	(1,724)
Net book amount at 31 December 2009	**11**	**2,421**	**-**	**23**	**2,455**
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**
Year ended 31 December 2010					
Opening net book amount	11	2,421	-	23	2,455
Additions	-	246	59,388	13	59,647
Transfers from property, plant and equipment (Note 5)	-	1,638	-	-	1,638
Acquisition of subsidiaries (Note 7)	-	-	10,243	-	10,243
Revaluation*	144	731	(12,647)	-	(11,772)
Transfer of assets contributed to share capital of subsidiaries and associates (Note 7)	(144)	(1,957)	-	-	(2,101)
Transferred during the unbundling to LITGRID Turtas AB (Note 38)	-	(1,610)	-	(28)	(1,638)
Write-offs and disposals	-	(8)	-	-	(8)
Amortisation charge	-	(1,379)	-	(1)	(1,380)
Net book amount at 31 December 2010	**11**	**82**	**56,984**	**7**	**57,084**
At 31 December 2010					
Cost	36	1,439	56,984	31	58,490
Accumulated amortisation	(25)	(1,357)	-	(24)	(1,406)
Net book amount at 31 December 2010	**11**	**82**	**56,984**	**7**	**57,084**

*Increase in value on revaluation of intangible assets was recorded in other comprehensive income, whereas decrease was taken to profit/loss account.

4 Intangible assets (continued)

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

Company	Patents and licenses	Computer software	Other intangible assets	Total
At 31 December 2008				
Cost	2,277	17,941	-	20,218
Accumulated amortisation	(2,159)	(14,915)	-	(17,074)
Net book amount at 31 December 2008	**118**	**3,026**	-	**3,144**
Year ended 31 December 2009				
Opening net book amount	118	3,026	-	3,144
Additions	-	850	-	850
Amortisation charge	(118)	(1,516)	-	(1,634)
Net book amount at 31 December 2009	-	**2,360**	-	**2,360**
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**
Year ended 31 December 2010				
Opening net book amount	-	2,360	-	2,360
Additions	-	231	13	244
Transfers from property, plant and equipment (Note 5)	-	1,243	-	1,243
Revaluation*	144	749	-	893
Transfer of assets contributed to share capital of subsidiaries and associates (Note 7)	(144)	(3,293)	-	(3,437)
Transferred during the unbundling to LITGRID Turtas AB (Note 38)	-	(400)	(11)	(411)
Write-offs	-	(8)	(1)	(9)
Amortisation charge	-	(882)	(1)	(883)
Net book amount at 31 December 2010	-	-	-	-
At 31 December 2010				
Cost	-	1,280	1	1,281
Accumulated amortisation	-	(1,280)	(1)	(1,281)
Net book amount at 31 December 2010	-	-	-	-

*Increase in value on revaluation of the Company's intangible assets was recorded in other comprehensive income.

5 *Property, plant, and equipment*

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

Group	**Land**	**Buildings**	**Structures and equipment**	**Sstructures and equipment of Hydro Power Plant and Pumped Storage Power Plant**	**Motor vehicles**	**Other PP&E**	**Construct-ion 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**
Year ended 31 December 2009								
Opening net book amount	286	192,921	2,182,534	555,625	9,596	62,507	146,202	3,149,671
Additions	-	4,610	1,039	38,830	245	14,347	49,384	108,455
Revaluation	-	(44,509)	(191,900)	-	-	(3)	(522)	(236,934)
Disposals	-	(306)		-	-	(2)	-	(308)
Write-offs	-	-	(1,504)	(332)	-	(19)	-	(1,855)
Reversal of impairment	-	-	-	369	-	-	-	369
Reclassification between groups	-	7,014	147,133	-	-	14,256	(168,403)	-
Transferred to inventories	-	(4,619)	(2,165)	-	-	(1,258)	-	(8,042)
Transferred to investment property (Note 6)	-	(20,064)	-	-	-	-	-	(20,064)
Depreciation charge	-	(4,875)	(129,815)	(22,283)	(2,900)	(19,474)	-	(179,347)
Net book amount	**286**	**130,172**	**2,005,322**	**572,209**	**6,941**	**70,354**	**26,661**	**2,811,945**
At 31 December 2009								
Cost or revaluated amount	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**

5 *Property, plant and equipment (continued)*

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
Year ended 31 December 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	31	607	14,129	-	305	8,876	295,314	326,804
Acquisition of subsidiaries*	-	-	180	-	1,053,225	435	2,157	1,044,188	2,100,185
Capital contribution received (Note 14)	-	1,095	55,961	-	-	-	248	-	57,304
Revaluation	-	11,535	(436)	-	-	1,482	3,501	-	16,082
Transfer of assets contributed to share capital of subsidiaries and associates (Note 7)	-	(94,082)	(21,213)	-	-	(4,764)	(9,108)	-	(129,167)
Transferred during the unbundling to LITGRID Turtas AB (Note 38)	(1,961)	(35,096)	(1,934,150)	-	-	(1,798)	(43,986)	(47,157)	(2,064,148)
Disposals	-	-	-	-	-	-	(19)	-	(19)
Write-offs	-	(3)	(2,824)	(216)	-	(262)	(295)	(114)	(3,714)
(Impairment)/reversal of impairment	-	1,380	-	-	-	(31)	-	-	1,349
Reclassification between groups	-	472	20,470	(4,052)	400,269	1,151	(2,237)	(416,073)	-
Transferred from inventories	-	-	-	-	4,233	47	-	-	4,280
Transferred to intangible assets (Note 5)	-	-	-	-	-	-	(1,638)	-	(1,638)
Transferred to investment property (Note 6)	-	(1,937)	-	-	-	-	-	-	(1,937)
Depreciation charge	-	(3,124)	(112,429)	(21,986)	(10,201)	(2,176)	(15,286)	-	(165,202)
Net book amount	**5,867**	**10,443**	**11,488**	**560,084**	**1,447,526**	**1,330**	**12,567**	**902,819**	**2,952,124**
At 31 December 2010									
Cost or revaluated amount	5,867	23,748	257,745	697,252	1,921,819	6,437	48,055	902,819	3,863,742
Accumulated depreciation	-	(7,999)	(242,244)	(136,399)	(474,293)	(5,076)	(34,760)	-	(900,771)
Accumulated impairment	-	(5,306)	(4,013)	(769)	-	(31)	(728)	-	(10,847)
Net book amount	**5,867**	**10,443**	**11,488**	**560,084**	**1,447,526**	**1,330**	**12,567**	**902,819**	**2,952,124**

*Acquired property, plant and equipment of subsidiaries represent property, plant and equipment of Lietuvos Elektrinė AB with the value of LTL 2,097,413 thousand (Note 7) and property, plant and equipment of TETAS UAB with the value of LTL 2,772 thousand.

5 *Property, plant and equipment (continued)*

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 31 December 2009. The total amount of the decrease arising on revaluation was LTL 236,934 thousand and the latter amount was recognised as follows:

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

In October 2010, a part of the Group's property, plant and equipment (including items of assets contributed to the share capital of subsidiaries and associates) was revalued. The total amount of the increase arising on revaluation was LTL 16,082 thousand and the latter amount was recognised as follows:

Increase in other comprehensive income and revaluation reserve in equity	Charged in profit and loss	Total revaluation surplus
27,460	**(11,378)**	**16,082**

As described in Note 3, at 31 December 2010, management decided not to recognise additional revaluation surplus (or deficit) in respect of property, plant and equipment.

5 *Property, plant and equipment (continued)*

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

Company	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construct-ion 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**
Year ended 31 December 2009								
Opening net book amount	286	156,259	2,175,920	555,625	8,343	61,918	146,339	3,104,690
Additions	-	4,009	887	38,830	73	14,047	49,795	107,641
Revaluation	-	(40,321)	(191,900)	-	-	-	(522)	(232,743)
Disposals	-	-	-	-	-	(2)	-	(2)
Write-offs	-	-	(853)	(332)	-	(11)	-	(1,196)
Reversal of impairment	-	-	-	369	-	-	-	369
Reclassification between groups	-	7,014	147,133	-	-	14,256	(168,403)	-
Transferred to investment property (Note 6)	-	(22,208)	-	-	-	-	-	(22,208)
Depreciation charge	-	(4,113)	(128,757)	(22,283)	(2,560)	(19,387)		(177,100)
Net book amount at 31 December 2009	**286**	**100,640**	**2,002,430**	**572,209**	**5,856**	**70,821**	**27,209**	**2,779,451**
at 31 December 2009								
Cost or revaluated amount	286	100,785	2,003,654	687,391	8,416	90,936	27,209	2,918,677
Accumulated depreciation	-	-	-	(114,413)	(2,560)	(19,387)	-	(136,360)
Accumulated impairment	-	(145)	(1,224)	(769)	-	(728)	-	(2,866)
Net book amount	**286**	**100,640**	**2,002,430**	**572,209**	**5,856**	**70,821**	**27,209**	**2,779,451**
Year ended 31 December 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	31	580	14,129	280	8,876	41,303	72,741
Capital contribution received (Note 14)	-	1,095	55,961	-	-	248	-	57,304
Disposals	-	-	(36)	-	(31)	(19)	-	(86)
Write-offs	-	(3)	(1,666)	(2)	-	(15)	(114)	(1,800)
Reclassification between groups	-	472	20,470	(4,052)	1,151	(2,237)	(15,804)	-
Transferred to intangible assets (Note 4)	-	-	-	-	-	(1,243)	-	(1,243)
Transferred from inventories	-	-	-	-	47		-	47
Transferred during the unbundling to LITGRID Turtas AB (Note 38)	(1,961)	(33,336)	(1,933,911)	-	-	(35,449)	(47,538)	(2,052,195)
Revaluation	-	11,535	(436)	-	1,482	3,501	-	16,082
Transfer of assets contributed to share capital of subsidiaries and associates (Note 7)	-	(75,701)	(21,213)	-	(6,138)	(30,083)	-	(133,135)
Transferred to investment property (Note 6)	-	(1,696)	-	-	-	-	-	(1,696)
Depreciation charge	-	(2,773)	(111,705)	(21,986)	(1,980)	(13,984)	-	(152,428)
Net book amount at 31 December 2010	**5,867**	**264**	**10,474**	**560,298**	**667**	**416**	**5,056**	**583,042**
Cost or revaluated amount	5,867	415	11,698	697,466	5,238	34,515	5,056	760,255
Accumulated depreciation	-	-	-	(136,399)	(4,540)	(33,371)	-	(174,310)
Accumulated impairment	-	(151)	(1,224)	(769)	(31)	(728)	-	(2,903)
Net book amount	**5,867**	**264**	**10,474**	**560,298**	**667**	**416**	**5,056**	**583,042**

5 *Property, plant and equipment (continued)*

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

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

In October 2010, a part of the Company's property, plant and equipment (including items of assets contributed to the share capital of subsidiaries and associates) was revalued. The total amount of the increase arising on revaluation was LTL 16,082 thousand and the latter amount was recognised as follows:

Increase in other comprehensive income and revaluation reserve in equity	Charged in profit and loss	Total revaluation surplus
27,462	(11,380)	16,082

As described in Note 3, at 31 December 2010, the Company's management decided not to recognise additional revaluation deficit in respect of property, plant and equipment.

As at 31 December 2010, the Group pledged to the banks property, plant and equipment with the value of LTL 303,156 thousand (31 December 2009: none).

In 2010, interest capitalised at an average interest rate of 4.11 per cent on borrowings related to the development of non-current assets amounted to LTL 7,961 thousand (2009: none).

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

Category of PP&E	**At 31 December 2010**	**At 31 December 2009**
Plant and machinery	3,771	3,705
Motor vehicles	67	331
Total	3,838	4,036

The Group/Company has significant contractual obligations to purchase property, plant and equipment, which have to be fulfilled in later periods. The Company's commitments to acquire and construct tangible fixed assets amounted to LTL 3 million as at 31 December 2010 (31 December 2009: LTL 22.5 million) The Group's commitments to acquire and construct tangible fixed assets amounted to LTL 279 million as at 31 December 2010 (31 December 2009: LTL 22.5 million)

5 *Property, plant and equipment (continued)*

Below are presented carrying amounts of the Company's and the Group's property, plant and equipment that would have been recognised had the assets been carried using a cost method as at 31 December 2010 and 31 December 2009:

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Motor vehicles	Other PP&E	Construc tion in progress	Total
At 31 December 2010									
Net book amount	5,867	10,443	3,718	560,084	1,447,526	1,330	12,567	902,819	2,944,354
At 31 December 2009									
Net book amount	119	138,355	1,716,259	572,209	-	6,913	68,794	27,948	2,530,597

Company	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construct-ion in progress	Total
At 31 December 2010								
Net book amount	5,867	264	2,704	560,298	667	416	5,056	575,272
At 31 December 2009								
Net book amount	119	98,772	1,708,012	572,209	5,856	67,844	27,948	2,480,760

6 *Investment property*

	Group	Company
At 31 December 2008		
Cost	4,377	22,699
Accumulated depreciation	(458)	(920)
Net book amount	**3,919**	**21,779**
Year ended 31 December 2009		
Opening net book amount	3,919	21,779
Transferred from property, plant and equipment (Note 5)	20,064	22,208
Impairment charge	(6,362)	(6,362)
Depreciation charge	(361)	(594)
Net book amount at 31 December 2009	**17,260**	**37,031**
At 31 December 2009		
Cost	24,441	44,907
Accumulated depreciation	(6,362)	(1,514)
Accumulated impairment	(819)	(6,362)
Net book amount at 31 December 2009	**17,260**	**37,031**
Year ended 31 December 2010		
Opening net book amount	17,260	37,031
Transfer of assets contributed to share capital of subsidiaries and associates (Note 7)	(16,933)	(35,314)
Transferred during the unbundling to LITGRID Turtas AB (Note 38)	-	(917)
Transferred to/from property, plant and equipment (Note 5)	1,937	1,696
Depreciation charge	(412)	(644)
Net book amount at 31 December 2010	**1,852**	**1,852**
At 31 December 2010		
Cost	2,143	2,143
Accumulated depreciation	(291)	(291)
Net book amount at 31 December 2010	**1,852**	**1,852**

At 31 December 2009, the Group and Company recognised an impairment charge for some investment properties based on a 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.

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

In 2010, the Group's and the Company's income from lease of investment property amounted to LTL 491 thousand and LTL 761 thousand, respectively. In 2009, rental income of the Group and the Company amounted to LTL 883 thousand and LTL 1,794 thousand, respectively. The average validity term of lease contracts concluded is 2 years as at 31 December 2009 and 31 December 2010.

7 *Investments*

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

Subsidiary **At 31 December 2010**	**Cost**	**Impairment charge**	**Carrying amount**
Lietuvos Elektrinė AB	598,960	-	598,960
Kauno Energetikos Remontas UAB	31,341	(21,041)	10,300
Data Logistics Center UAB	12,847		12,847
Energijos Tiekimas UAB	750	-	750
Total	**643,898**	**(21,041)**	**622,857**

Subsidiary **At 31 December 2009**	**Cost**	**Impairment charge**	**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**

Movements of investments in the subsidiaries for the periods ended 31 December 2010 and 31 December 2009 were as follows:

	Company at 31 December 2010	**Company at 31 December 2009**
Carrying amount as at 1 January	**19,564**	**18,068**
Acquisition and increase in share capital of subsidiaries *	635,695	1,803
Transferred during the unbundling to LITGRID Turtas AB (Note 38)	(18,038)	-
Decrease of share capital of subsidiary	(1,250)	-
Impairment expenses	(5,600)	(307)
Disposal of subsidiaries (by contribution to associates)	(7,514)	-
Carrying amount at 31 December	**622,857**	**19,564**

* In 2010 the acquisition and increase in share capital of subsidiaries was paid by the following contributions: LTL 7,150 thousand in cash, LTL 24,479 thousand by contributing intangible assets, property, plant and equipment and investment property (Notes 4, 5, 6), LTL 572,180 thousand by issuing of shares (Note 14), LTL 5,006 thousand by disposing shares of subsidiaries, LTL 26,780 (Note 10) thousand by settling loans and LTL 100 thousand by other assets (in 2009 – all amount of LTL 1,803 by cash).

As described in Note 3, in 2010 the Company recognised additional impairment of LTL 5,600 thousand for the investment in Kauno Energetikos Remontas UAB.

On 18 August 2010, the Company acquired 133,065,125 ordinary registered shares of Lietuvos Elektrinė AB, which comprise 91.27 per cent of the share capital of Lietuvos Elektrinė AB. These shares of Lietuvos Elektrinė AB were used by Visagino Atominė Elektrinė UAB to pay for the increase in the Company's share capital. On 8 October 2010, the Company additionally acquired 6,227,836 ordinary registered shares with par value of LTL 1 each of Lietuvos Elektrinė AB from Visagino Atominė Elektrinė UAB comprising 4.27 per cent of the share capital of Lietuvos Elektrinė AB and as at 31 December 2010 owned 139,292,961 shares of Lietuvos Elektrinė AB comprising 95.54 per cent of the share capital of Lietuvos Elektrinė AB.

7 Investments (continued)

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

	Carrying amount
Intangible assets (Note 4)	10,243
Property, plant and equipment (Note 5)	2,097,413
Prepayments for property, plant, equipment	80,510
Non-current accounts receivable and other non-current assets	2,640
Inventories	139,600
Trade and other receivables	103,114
Cash and cash equivalents	21,823
Grants received (Note 21)	(848,052)
Non-current borrowings	(351,317)
Deferred income tax liabilities (Note 23)	(111,446)
Provisions for emission rights (Note 25)	(46,911)
Current borrowings	(17,967)
Current accounts payable and other liabilities	(65,122)
Net assets acquired	**1,014,528**
Purchase consideration:	**(598,960)**
Paid through non-monetary contribution by issuing shares (Note 14)	(572,180)
Paid through non-monetary contribution by offsetting a loan (Note 10)	(26,780)
Difference accounted in equity attributable to:	**415,568**
Owners of the Company	370,320
Non-controlling interest	45,248

The Group consolidated revenue and results of Lietuvos Elektrinė AB for the period from September to December 2010 which comprised LTL 247,480 thousand and LTL 16,110 thousand respectively. Had Lietuvos Elektrinė been consolidated from 1 January 2010, the Group's revenue and net profit would amount to LTL 1,760,700 thousand and LTL 113,369 thousand respectively.

Data Logistics Center UAB was established on 1 September 2010. The principal activities of the Company include the provision of data centres, data transmission, broadband lease and other telecommunication services to clients of the electricity companies. On 30 November 2010, the authorised share capital of Data Logistics Center UAB was increased from LTL 50 thousand to LTL 12,847 thousand. The share issue was paid by way of non-monetary contribution comprising property, plant and equipment.

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. From 2010, the Company is acting as independent supplier in the electricity market of Lithuania. In 2010, the Company paid up the share capital of Energijos Tiekimas UAB of LTL 350 thousand.

LITGRID UAB was established at the end of 2009. As the transmission system operator LITGRID UAB starting 1 January 2010 is 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). On 30 November 2010, in line with the implementation of the energy sector reorganisation plan 100 per cent of shares of LITGRID AB were transferred to LITGRID Turtas AB, a company established on the basis of a separated part of Lietuvos Energija AB.

Respublikinis energetikų mokymo centras VŠĮ is a non-profit public legal entity of limited civil liability founded according to the procedure prescribed by the Law on Public Establishments. In accordance with decisions passed at the general shareholder meeting held on 28 September 2010, on 27 October 2010 Lietuvos Energija AB concluded the purchase-sale agreement with Technologijų ir Inovacijų Centras UAB and disposed all it's rights in Respublikinis energetikų mokymo centras VŠĮ.

In accordance with decisions passed at the general shareholder meeting held on 28 September 2010, by concluding the share subscription agreement, on 13 October 2010 Lietuvos Energija AB acquired 22,468,259 newly issued shares of Technologijų ir Inovacijų Centras UAB with par value of LTL 1 (one) each comprising 50.66 per cent of the share capital of Technologijų ir Inovacijų Centras UAB. By concluding the share subscription agreement the Company and Technologijų ir Inovacijų Centras UAB agreed that the Company shall pay for newly issued ordinary registered shares of Technologijų ir Inovacijų Centras UAB with par value of LTL 1 (one) each by way of monetary and non-monetary contributions. As a result, the Company disposed 1,500,000 ordinary registered shares with par value of LTL 1 (one) each of InterLinks, UAB comprising 100 per cent of the share capital of InterLinks, UAB and 18,478 ordinary registered shares with par value of LTL 1 (one) each of Kruonio Investicijos UAB comprising 78.26 per cent of the share capital of Kruonio Investicijos UAB.

7 *Investments (continued)*

In accordance with decisions passed at the general shareholder meeting held on 28 September 2010, by concluding the share subscription agreement, on 21 October 2010 Lietuvos Energija AB acquired 1,276,667 ordinary registered shares of Kruonio Investicijos UAB with par value of LTL 100 (one hundred) each comprising 41.1 per cent of the share capital of Kruonio Investicijos UAB. On 21 October 2010, the name of Kruonio Investicijos UAB was changed to NT Valdos UAB.

In accordance with decisions passed at the general shareholder meeting held on 28 September 2010, by concluding the share subscription agreement, on 14 October 2010 Lietuvos Energija AB acquired 4,731,440 newly issued ordinary registered shares of ELEKTROS TINKLO PASLAUGOS UAB with par value of LTL 1 (one) each comprising 28.89 per cent of the share capital of ELEKTROS TINKLO PASLAUGOS UAB and 3,454,350 newly issued ordinary registered shares of TETAS UAB with par value of LTL 1 (one) each comprising 60.97 per cent of the share capital of TETAS UAB. Shares of ELEKTROS TINKLO PASLAUGOS UAB acquired were paid by monetary and non-monetary contributions. By concluding the share subscription agreement the Company and TETAS UAB agreed that the Company shall pay for newly issued ordinary registered shares of TETAS UAB with par value of LTL 1 (one) each by way of monetary and non-monetary contributions. As a result, the Company transferred 430,400 ordinary registered shares of Energetikos Pajėgos UAB comprising 100 (one hundred) per cent of the share capital of Energetikos Pajėgos UAB to TETAS UAB.

On 30 November 2010, in the implementation of the energy sector reorganisation plan all shares of ELEKTROS TINKLO PASLAUGOS UAB and TETAS UAB, 29.94 per cent of shares of Technologijų ir Inovacijų Centras UAB and 0.4 per cent of shares of NT Valdos UAB were transferred to LITGRID Turtas AB, a company established on the basis of a separated part of Lietuvos Energija AB.

As the Group controlled TETAS UAB only from 14 October 2010 until 1 December 2010, i.e. the date of the unbundling of LITGRID Turtas, AB, information on the acquisition of this subsidiary is not disclosed.

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

Group At 31 December 2010	**Cost**	**Ownership (% of shares)**	**Impairment and equity method**	**Carrying amount**
NT Valdos UAB	126,942	41.10	499	127,441
Nordic Energy Link AS	21,175	25.00	1,914	23,089
Technologijų ir Inovacijų Centras UAB	9,187	20.72	(214)	8,973
Geoterma UAB	7,396	23.44	(4,195)	3,201
Enmašas UAB	20	33.33	(6)	14
Total	**164,720**		**(2,002)**	**162,718**

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

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

Company At 31 December 2010	**Cost**	**Ownership (% of shares)**	**Impairment charge**	**Carrying amount**
NT Valdos UAB	126,942	41.10	-	126,942
Nordic Energy Link AS	21,175	25.00	-	21,175
Technologijų ir Inovacijų Centras UAB	9,187	20.72	-	9,187
Geoterma UAB	7,396	23.44	(3,864)	3,532
Total	**164,700**		**(3,864)**	**160,836**

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

7 Investments (continued)

On 30 November 2010, in the implementation of the energy sector reorganisation plan, all shares of LitPolLink" Sp.z.o.o were transferred to LITGRID Turtas AB.

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

At 31 December 2010	**Assets**	**Liabilities**	**Sales revenue**	**Profit (loss) for the year**
NT Valdos UAB	316,190	10,734	9,122	1,127
Technologijų ir Inovacijų Centras UAB	49,460	13,045	8,172	(3,068)
Nordic Energy Link AS	310,148	222,975	51,603	3,987
Geoterma UAB	52,518	37,741	14,649	(1,416)
Enmašas UAB *	-	-	-	-

At 31 December 2009	**Assets**	**Liabilities**	**Sales revenue**	**Profit (loss) for the year**
Nordic Energy Link AS	327,797	244,612	61,395	3,880
Geoterma UAB	56,749	41,060	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 31 December 2010 and 31 December 2009 were as follows:

	Group at 31 December 2010	**Company at 31 December 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Carrying amount at 1 January	**25,837**	**24,853**	**25,699**	**24,760**
Acquisition of shares of associates	157,564	155,051	-	-
Transferred during the unbundling to LITGRID Turtas AB (Note 38)	(21,611)	(19,942)	-	-
Reversal of impairment for LitPol Link Sp.z.o.o (discontinued operations)	1,020	1,020	-	93
Impairment for investments	(146)	(146)	-	-
Share of financial result (loss) of associates and joint ventures	54	-	138	-
Carrying amount at 31 December	**162,718**	**160,836**	**25,837**	**24,853**

In 2010 the acquisition of shares of associate companies was paid as follows:

	Group 2010	**Company 2010.**
Cash	3,250	950
Intangible assets, property, plant and equipment and investment property (Notes 4,5,6)	148,201	147,389
Other current assets	1,520	2,119
Shares of subsidiaries, at fair value	4,593	4,593
	157,564	**155,051**

8 Inventories

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

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Fuel oil	118,942	-	-	-
Spare parts	12,168	859	9,291	4,144
Materials	8,757	-	-	-
Goods for resale	29	29	146	146
Less: Write-down to net realisable value	(11,988)	(149)	(5,618)	(1,045)
Carrying amount	**127,908**	**739**	**3,819**	**3,245**

The cost of the Group's and the Company's inventories accounted for at net realisable value as at 31 December 2010 amounted to LTL 16,293 thousand and LTL 887 thousand, respectively (31 December 2009: LTL 5,872 thousand and LTL 1,454 thousand, respectively).

The cost of inventories recognised as expense by the Group and the Company during the period ended 31 December 2010 amounted to LTL 6,576 thousand and LTL 3,423 thousand, respectively (2009: LTL 9,075 thousand and LTL 4,831 thousand, respectively).

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

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Provision for impairment of inventories at 1 January	5,618	1,045	4,448	858
Write-down of inventories during the reporting period	9,062	70	1,375	393
Transfer of impairment during the unbundling	(403)	(381)	-	-
Reversal of inventory write-down	(2,289)	(585)	(205)	(206)
Provision for impairment of inventories at 31 December	**11,988**	**149**	**5,618**	**1,045**

The impairment charge and reversal of inventory write-down were included in operating expenses in the statement of comprehensive income. In 2010, the Group made additional write-downs to net realisable value for obsolete and slow-moving spare parts stored at the warehouse.

As at 31 December 2010, the Group's inventories pledged amounted to LTL 26,000 thousand (Note 19) (31 December 2009: none).

9 *Trade receivables*

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

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Receivables for electricity sold in Lithuania	179,398	102,262	142,037	142,037
Receivables for repair and design works	7,012	-	7,894	-
Unbilled revenue from electricity-related sales	5,173	5,173	8,576	8,576
Receivables for exported electricity	149	149	23,543	23,543
VAT on unbilled revenue	-		25	25
Total	**191,732**	**107,584**	**182,075**	**174,181**
Less: provision for impaired receivables	(12,671)	(9,612)	(11,733)	(10,024)
Carrying amount	**179,061**	**97,972**	**170,342**	**164,157**

The fair value of trade receivables approximates their carrying amounts.

Movements in impairment of trade receivable in the years ended 31 December 2010 and 31 December 2009 were as follows:

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Carrying amount at 1 January	**11,733**	**10,024**	**10,313**	**9,612**
Reversal of doubtful receivables	(431)	(412)	-	-
Recognised as doubtful receivables in the reporting period	1,369	-	1,420	412
Carrying amount at 31 December	**12,671**	**9,612**	**11,733**	**10,024**

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

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

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

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Not past due	177,716	97,566	163,877	162,780
Past due up to 30 days	1,345	406	3,085	1,377
Past due from 30 to 60 days	-	-	3,380	-
Carrying amount	**179,061**	**97,972**	**170,342**	**164,157**

10 Other receivables

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

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Loan granted to Kauno Energetikos Remontas UAB	-	6,500	-	-
Accounts receivables for apartments	1,171	415	510	510
Carrying amount	**1,171**	**6,915**	**510**	**510**

On 28 January 2010, the credit line agreement was signed based on which Kauno Energetikos Remontas UAB was granted a credit line of LTL 2,500 thousand. According to this agreement until 30 April 2010 annual interest rate of 6.33 per cent was payable on any withdrawn amount of the credit line. As of 1 May 2010 the interest rate is set at three months VILIBOR plus 3.5 per cent annual margin. The repayment date of the credit provided in the agreement is 31 December 2010. On 23 December 2010, an additional arrangement to the agreement was signed under which the limit of the credit line was established at LTL 6,500 thousand and the final repayment date of the credit was extended to 31 December 2012. In addition, Kauno Energetikos Remontas UAB assumed a commitment to pledge real estate with a market value equal to or exceeding the amount of the credit line for the benefit of Lietuvos Energija AB. Kauno Energetikos Remontas UAB also committed not to borrow from third parties and not to pledge assets or any non-property rights for the benefit of such third parties without a prior written consent of Lietuvos Energija AB.

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

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
VAT receivable	12,671	674	-	-
Other receivables	4,920	1,960	4,444	4,199
Receivables for IT and telecommunications services	1,750	850	2,623	2,623
Loan granted Technologijų ir Inovacijų Centras UAB	3,000	3,000	-	691
Loan granted to Data Logistics Center UAB	-	150	-	-
Loan granted to LEO LT, AB	-	-	73,309	73,309
Accrued interest receivable	-	-	840	840
Current portion of long-term receivables	-	-	28	28
Total	**22,341**	**6,634**	**81,244**	**81,690**
Less: provision for impaired receivables	(1,400)	(1,268)	(3,676)	(3,676)
Carrying amount	**20,941**	**5,366**	**77,568**	**78,014**

The 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 21 May 2010. On 12 July 2010, the debt transfer agreement was signed between Lietuvos Energija AB, LEO LT, AB in liquidation and Visagino Atominė Elektrinė UAB based on which the debt agreement was transferred to Visagino Atominė Elektrinė UAB. On 8 October 2010, the remaining balance owed by Visagino Atominė Elektrinė UAB of LTL 26,780 thousand was offset against the amount payable for shares of Lietuvos Elektrinė AB (Note 7).

On 9 April 2010, the credit line agreement was signed based on which Interlinks UAB was granted a credit line of LTL 3,000 thousand. The annual interest rate was set at 3.17 per cent. The repayment date of the credit line is 31 December 2010. On 13 October 2010, Lietuvos Energija AB acquired shares of Technologijų ir Inovacijų Centras UAB by paying for them through monetary and non-monetary contributions along with 1,500,000 ordinary registered shares of InterLinks, UAB with par value of LTL 1 (one) each comprising 100 per cent of the share capital of InterLinks, UAB. On 5 January 2011, the Company concluded an additional arrangement with Technologijų ir Inovacijų Centras UAB based on which the credit line granted to Interlinks UAB was taken over by Technologijų ir Inovacijų Centras UAB. The final repayment date of the credit is 30 April 2011.

On 8 January 2010, the Company concluded the agreement with subsidiary Energijos Tiekimas UAB for the credit line of LTL 7,300 thousand. The repayment date is LTL 31 December 2011. No amounts of the credit line were withdrawn as at 31 December 2010.

10 Other receivables (continued)

Movements in impairment of doubtful other accounts receivable in the years ended 31 December 2010 and 31 December 2009 were as follows:

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Carrying amount at 1 January	**3,676**	**3,676**	**4,870**	**4,870**
Reversal of doubtful receivables	(297)	(297)	(4)	(4)
Write-down of doubtful receivables	(2,848)	(2,848)	(1,388)	(1,388)
Recognised as doubtful receivables in the reporting period	869	737	198	198
Carrying amount at 31 December	**1,400**	**1,268**	**3,676**	**3,676**

As at 31 December 2010, the majority of impaired other receivables of the Group and the Company consisted of receivables from Respublikinis energetikų mokymo centras VŠĮ (LTL 558 thousand) (31 December 2009: LTL 47 thousand). In 2010, the Group/Company wrote down the amount uncollectible from the bank Litimpex of LTL 2,840 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 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Not past due	19,373	3,930	77,258	77,704
Past due up to 30 days	297	165	144	144
Past due from 30 to 60 days	170	170	166	166
Past due more than 60 days	1,101	1,101	-	-
Carrying amount	**20,941**	**5,366**	**77,568**	**78,014**

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

11 Term deposits

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

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Term deposit at SEB Bankas AB (contract currency litas), maturity – June 2010	-	-	17,000	17,000
Other term deposits	-	-	160	-
Carrying amount	**-**	**-**	**17,160**	**17,000**

The Company/Group had no term deposits with maturity of more than three months as at 31 December 2010. The fair value of term deposits approximates their carrying amount.

12 Cash and cash equivalents

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

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Cash at bank and in hand	69,576	63,909	9,286	6,866
Overnight deposit at Swedbank AB (contract currency litas)	16,023	4,272	481	481
Overnight deposit at Swedbank AB (contract currency euro)	1,326	1,326	-	-
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	**86,925**	**69,507**	**54,167**	**51,347**

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

The Company/Group had no term deposits with maturity of three months or less as at 31 December 2010.

According to the loan agreement signed with DnB NORD AB bank, the Group pledged current and future cash inflows into the bank account (Note 19). As at 31 December 2010, balances with DnB NORD AB bank pledged amounted LTL 1,999 thousand.

According to the syndicated loan agreement signed with Swedbank AB, SEB AB bank, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD AB bank, the Group pledged current and future cash inflows into the accounts at these banks (Note 19). Balances of these funds amounted to LTL 126 thousand as at 31 December 2010.

For the purposes of cash flow statement, cash and cash equivalents comprise as follows:

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Cash and cash equivalents	86,925	69,507	54,167	51,347
Bank overdrafts (Note 19)	(26,522)	-	-	-
Carrying amount	**60,403**	**69,507**	**54,167**	**51,347**

13 Non-current assets held for sale

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Non-current assets of Kauno Energetikos Remontas UAB	2,623	-	3,205	-
Non-current assets acquired from Kauno Energetikos Remontas UAB	1,543	1,543	-	-
	4,166	**1,543**	**3,205**	**-**

Non-current assets held for sale comprise buildings, which are expected to be sold in 2011.

14 Share capital and share premium

As at 31 December 2010, the share capital of the Company was LTL 489,282,926 and it was divided into 489,282,926 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 0.72 per share (2009: LTL 0.98), the lowest – LTL 0.37 per share (2009: LTL 0.49). The number of shareholders as at 31 December 2010 was 5,991 (31 December 2009: 5,867).

The shareholders' structure of the Company is as follows:

Shareholders	Share capital at 31 December 2010 (LTL)	%	Share capital at 31 December 2009 (LTL)	%
Visagino Atominė Elektrinė AB	477,063,400	97.50	-	-
Other shareholders	12,219,526	2.50	24,814,046	3.60
LEO LT, AB	-	-	664,700,833	96.40
State of Lithuania represented by the Ministry of Energy	-	-	556	0.00
Total	**489,282,926**	**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.

	Share capital (shares) 2010	Share capital (shares) 2009	Share premium (LTL) 2010	Share premium (LTL) 2009
Number of shares at the beginning of the period	689,515,435	689,515,435	2,744	2,744
Share issue	304,098,871	-	325,385,644	-
Reduction of the share capital during the unbundling LITGRID Turtas AB (Note 38)	(504,331,380)	-	(29,621,084)	-
Number of shares at the end of the period	**489,282,926**	**689,515,435**	**295,767,304**	**2,744**

On 8 September 2010, the Company's authorised share capital was increased from LTL 689,515,435 to LTL 993,614,306. Nominal value of one share is LTL 1 (one), the issue price of one share is LTL 2.07 (two litas and seven cents). Share premium represents the difference between the nominal value of shares and their issue price. The total price of the issue of shares is LTL 629,484 thousand which was paid through a 91.27 per cent stake in Lietuvos Elektrinė AB with the value of LTL 572,180 thousand and property, plant and equipment with the value of LTL 57,304 thousand (Note 5).

15 Revaluation reserve

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

Group	**Revaluation reserve**	**Deferred income tax**	**Net of deferred income tax**
Balance at 31 December 2008	**615,904**	**(123,181)**	**492,723**
Depreciation of revaluation reserve	(46,318)	9,264	(37,054)
Loss on revaluation of property, plant and equipment and investment property	(162,327)	32,618	(129,709)
Change in deferred tax calculation due to the change in tariff	-	20,210	20,210
Balance at 31 December 2009	**407,259**	**(61,089)**	**346,170**
Balance at 31 December 2009	**407,259**	**(61,089)**	**346,170**
Depreciation of revaluation reserve	(29,091)	4,364	(24,727)
Increase in revaluation reserve	28,335	(4,250)	24,085
Written off upon transfer of in-kind contributions	(42,927)	6,439	(36,488)
Revaluation reserve transferred to LITGRID Turtas AB (Note 38)	(352,449)	52,867	(299,582)
Other adjustments	(1,029)	154	(875)
Balance at 31 December 2010	**10,089**	**(1,515)**	**8,583**

Company	**Revaluation reserve**	**Deferred income tax**	**Net of deferred income tax**
Balance at 31 December 2008	**604,038**	**(120,808)**	**483,230**
Depreciation of revaluation reserve	(41,940)	8,388	(33,552)
Loss on revaluation of property, plant and equipment and investment property	(158,093)	31,641	(126,452)
Change in deferred tax calculation due to the change in tariff	-	20,178	20,178
Balance at 31 December 2009	**404,005**	**(60,601)**	**343,404**
Balance at 31 December 2009	**404,005**	**(60,601)**	**343,404**
Depreciation of revaluation reserve	(29,091)	4,364	(24,727)
Increase in revaluation reserve	28,335	(4,250)	24,085
Written off upon transfer of in-kind contributions	(42,001)	6,300	(35,701)
Revaluation reserve transferred to LITGRID Turtas AB (Note 38)	(352,449)	52,867	(299,582)
Other adjustments	(1,029)	154	(875)
Balance at 31 December 2010	**7,770**	**(1,166)**	**6,604**

16 Legal reserve

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital. As at 31 December 2009, the Company/Group had a fully-formed legal reserve, which accounted for 10 per cent of the share capital and amounted to LTL 68,952 thousand and LTL 68,955 thousand, respectively. In 2010, a part of the legal reserve amounting to LTL 47,665 thousand at the Company level and LTL 47,730 thousand at the Group level was transferred to LITGRID Turtas AB during the unbundling (Note 38).

The Group's legal reserve increased by LTL 13,946 thousand as a result of acquisition of subsidiaries.

As at 31 December 2010, the Company's legal reserve amounted to LTL 21,287 thousand and the Group's – LTL 35,211 thousand.

17 Other reserves

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

Group	Reserve for share capital reduction due to transfer of fuel oil storage facilities	Reserve for investments	Reserve for support	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)	(58,974)	(1,518,307)
Balance at 31 December 2009	**(63,777)**	-	-	-	-	**(63,777)**
Balance at 31 December 2009	**(63,777)**	-	-	-	-	**(63,777)**
Increase in reserves as a result of acquisition of subsidiary	-	111,689	-	634,693	-	746,382
Balance at 31 December 2010	**(63,777)**	**111,689**	-	**634,693**	-	**682,605**

Upon the transition to IFRS on 1 January 2004 the equity of subsidiary Lietuvos Elektrinė AB increased by LTL 721,107 thousand. In order to impose restrictions on the ability to distribute this increase a reserve related to non-current assets was established. As at 31 December 2010, the amount of this reserve attributable to the owners of the Group was LTL 634,693 thousand.

As at 31 December 2010, subsidiary's Lietuvos Elektrinė AB reserve for investments was LTL 111,689 thousand. It was established to accumulate funds for the construction and development of non-current assets. A decision on the use of these funds is passed by the shareholders.

Company	Reserve for share capital reduction due to transfer of fuel oil storage facilities	Reserve for investments	Reserve for support	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 31 December 2009	**(63,777)**	-	-	-	-	**(63,777)**
Balance at 31 December 2009	**(63,777)**	-	-	-	-	**(63,777)**
Reserves utilised	-	-	-	-	-	-
Balance at 31 December 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 1,369,457,000. 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.

18 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.

	At 31 December 2010
Amount of dividends (LTL'000)	48,266
Weighted average number of shares (units)	759,156,685
Dividends per share (LTL)	0.06

19 Borrowings

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

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Non-current borrowings				
Syndicated loan (Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD AB,) in EUR, to be repaid by 9 November 2020	88,447	-	-	-
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	191,521	-	-	-
Syndicated loan (Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD AB and Danske Bank A/S, Lithuania Branch) in EUR, to be repaid by 3 June 2016	217,625	-	-	-
Loan from DnB NORD AB, in EUR, to be repaid by 1 May 2013	5,571	-	-	-
Total non-current borrowings	**503,164**	**-**	**-**	**-**
Current borrowings				
Syndicated loan (Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD AB) in EUR, to be repaid by 9 November 2020	14,253	-	-	-
Overdraft from Danske Bank A/S, Lithuania Branch, maturity – 30 March 2011	13,534	-	-	-
Overdraft from Swedbank AB, maturity - 1 March 2011	12,988	-	-	-
Loan from DnB NORD AB, in EUR, to be repaid by 1 May 2013	3,714	-	-	-
Loan from the European Bank for Reconstruction and Development, accrued interest	873	-	-	-
Loan from UniCredit Bank AS, Lithuania Branch, to be repaid by 30 September 2010	-	-	13,811	13,811
Other short-term loans	-	-	389	-
Total current borrowing	**45,362**	**-**	**14,200**	**13,811**

As at 31 December 2010, the Group's non-current and current borrowings comprised as follows:

On 1 July 2003, a loan agreement was concluded with the bank DnB NORD AB for the amount of EUR 3,765 thousand (LTL 13,000 thousand) and the repayment date of 1 May 2013.

On 30 June 2004, a loan agreement and related amendments were concluded with Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD AB for the amount of EUR 49,000 thousand (LTL 169,187 thousand) and the repayment date of 9 November 2020.

On 31 March 2010, a loan agreement was concluded with Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD AB and Danske Bank A/S for the amount of EUR 81,400 thousand (LTL 281,058 thousand) and the repayment date of 3 June 2016.

On 18 February 2010, a agreement was concluded with the European Bank for Reconstruction and Development for the loan of EUR 71,000 thousand (LTL 245,149 thousand) and the repayment date of 18 February 2025.

The overall limit of the overdraft granted by Swedbank AB is LTL 13,000 thousand. The overdraft agreement expires on 1 March 2011, subsequently renewed (Note 39).

On 30 March 2010, the limit of the overdraft granted by Danske Bank A/S, Lithuania Branch is LTL 17,000 thousand. The overdraft agreement expires on 30 March 2011, subsequently renewed (Note 39).

As at 31 December 2010, according to the above mentioned agreements the undrawn balances of loans and overdrafts of the Group were LTL 120,527 thousand (31 December 2009: LTL none).

19 Borrowings (continued)

The Group has assumed the following obligations under the loan agreements concluded:

The Group has assumed an obligation to DnB NORD AB to pledge all current and future cash inflows into the accounts opened at this bank. The Group also pledged fuel held under the right of ownership and stored at Elektrinės St. 21, in Elektrėnai, for the market price not lower than LTL 26,000 thousand (Note 8). Assets pledged should be insured by the insurer agreed with the bank and indicating the bank as a beneficiary.

The Group has assumed an obligation to Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD AB to pledge to the banks acceptable non-current assets with the carrying amount not lower than LTL 340 million (Note 5), all monetary balances in all accounts of the subsidiary held at banks registered in Lithuania (Note 12); it is also committed to carry out turnovers only through the accounts held at these banks.

The Group has assumed an obligation to Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD AB and Danske Bank A/S, Lithuania Branch to pledge the entire project-related, i.e. construction of a block of 400 MW combined cycle gas turbine, and consequently developed immovable, tangible and intangible assets, all current and future monetary balances in all accounts of the subsidiary opened and to be opened at the banks, all property rights arising from all property insurance contracts associated with the Project. These assets under construction are not pledged as long as the construction of a block of a combined cycle gas turbine is in progress.

Under the loan agreements the Group is also committed to comply with certain financial and non-financial covenants. As at 31 December 2010, the one of the Group's subsidiary did not comply with financial covenants of the loan agreements in terms of the debt to EBIDTA ratio and cash flows from operating activities. The Group's management believes that as it is unlikely that the lenders will take any actions in respect of those loans, where covenants were breached, therefore the classification of LTL 409,146 thousand loans as at 31 December 2010 as non-current based on contractual maturities is appropriate. This judgement is based on the fact as disclosed in Note 39 on 31 August 2011 Lietuvos Elektrinė plans to merge with its parent company Lietuvos Energija AB. Lietuvos Energija AB has no borrowings as at 31 December 2010, therefore the financial position of the new company after the merger will be stronger.

As at 31 December 2010, the fair value of borrowings was approximately equal to LTL 549,653 thousand (31 December 2009: approximately equal to carrying amount).

The table below presents data on the Group's borrowings by maturity dates when the interest rate is reprised.

	At 31 December 2010
1 to 3 months	244,146
3 to 6 months	304,380
Total borrowings	**548,526**

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 withdrawn by Kauno Energetikos Remontas UAB

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 2010 and 31 December 2009, the Company and the Group had no other valid undrawn loan agreements.

20 Finance lease liabilities

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

Group	At 31 December 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	532	511	607	532
Within second – fifth years	865	851	1,620	1,565
Minimum finance lease payments	**1,397**	**1,362**	**2,227**	**2,097**
Less: deferred interest	(35)	-	(130)	-
Present value of minimum finance lease payments	**1,362**	**1,362**	**2,097**	**2,097**

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

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

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

21 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	7,721	7,704
Utilised during the period	(2,640)	(2,620)
Balance at 31 December 2009	**71,420**	**71,393**
Balance at 31 December 2009	**71,420**	**71,393**
Acquisition of subsidiary (Note 7)	848,052	-
Received during the period	5,169	1,128
Utilised grant associated with emission rights	(5,973)	-
Transferred during the unbundling to LITGRID Turtas AB (Note 38)	(42,507)	(42,507)
Depreciation charge	(3,204)	(2,492)
Balance at 31 December 2010	**872,957**	**27,522**

22 Other non-current accounts payable and liabilities

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Non-current payables for property, plant and equipment	4,703	4,680	-	-
Provisions for pension payments and injury compensations	830	830	1,735	1,735
Liability related to guarantees for Nordic Energy Link	718	718	995	995
Advances received from new customers*	-	-	8,224	8,224
Total	**6,251**	**6,228**	**10,954**	**10,954**

* This item represents advances received for the connection of new users to the electricity networks. These advances are recognised as income upon the provision of connection services. All advances were transferred to LITGRID Turtas, AB during the unbundling.

Provisions for pension payments represent 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.

23 Income tax expense

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

	Group 2010	Company 2010	Group 2009	Company 2009
Income tax expense components:				
Current income tax	24,146	19,274	44,644	44,564
Adjustment of previous year income tax*	(7,732)	(7,732)	-	-
Deferred income tax (income)	(20,653)	(20,236)	(40,347)	(40,794)
Other adjustments to deferred income tax	(1,147)	114	-	-
Income tax expense (income) for the reporting period	**(5,386)**	**(8,580)**	**4,297**	**3,770**

*Adjustment of previous year income tax is related to the investment relief applied to taxable profit for 2009.

23 Income tax expense (continued)

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

Group	Revaluation of PP&E (impairment)	Impaired receivables	Accrued charges	Impairment of assets	Total
Deferred income tax assets					
At 1 January 2009	**243,584**	**2,064**	**1,121**	**4,896**	**251,665**
Recognised in profit or loss	(8,761)	(152)	(465)	9,667	289
Recognised in other comprehensive income	(58,231)	-	-	-	(58,231)
At 31 December 2009	**176,592**	**1,912**	**656**	**14,563**	**193,723**
At 31 December 2009	**176,592**	**1,912**	**656**	**14,563**	**193,723**
Recognised in profit or loss	(9,364)	(62)	1,274	(2,602)	(10,754)
Acquisitions of subsidiaries	-	-	165	-	165
Transferred during the unbundling to LITGRID Turtas AB	(2,196)	-	(97)	(11,470)	(13,763)
At 31 December 2010	**165,032**	**1,850**	**1,998**	**491**	**169,371**

Group	Revaluation of PP&E (increase in value)	Differences in depreciation rates	Tax relief on acquisition of PP&E	Other	Total
Deferred income tax liabilities					
At 1 January 2009	**(602,201)**	**(1,730)**	**(31,911)**	**(182)**	**(636,024)**
Recognised in profit or loss	30,251	574	9,233	-	40,058
Recognised in other comprehensive income	166,686	-	-	-	166,686
At 31 December 2009	**(405,264)**	**(1,156)**	**(22,678)**	**(182)**	**(429,280)**
At 31 December 2009	**(405,264)**	**(1,156)**	**(22,678)**	**(182)**	**(429,280)**
Recognised in profit or loss	29,942	424	2,167	75	32,608
Acquisitions of subsidiaries	(108,539)	(3,072)	-	-	(111,611)
Transferred during the unbundling to LITGRID Turtas AB	197,493	723	10,915	-	209,131
Recognised in other comprehensive income	(4,250)	-	-	-	(4,250)
At 31 December 2010	**(290,618)**	**(3,081)**	**(9,596)**	**(107)**	**(303,402)**

Deferred income tax, net, at 31 December 2008	**(384,359)**
Deferred income tax, net, at 31 December 2009	**(235,557)**
Deferred income tax, net, at 31 December 2010	**(134,031)**

23 Income tax (continued)

Company	**Revaluation of PP&E (impairment)**	**Impaired recei-vables**	**Accrued charges**	**Impair-ment of assets**	**Total**
Deferred income tax assets					
At 1 January 2009	**243,001**	**1,923**	**829**	**5,503**	**251,256**
Recognised in profit or loss	(10,076)	(418)	(299)	11,092	299
Recognised in other comprehensive income	(58,231)	-	-	-	(58,231)
At 31 December 2009	**174,694**	**1,505**	**530**	**16,595**	**193,324**
At 31 December 2009	**174,694**	**1,505**	**530**	**16,595**	**193,324**
Recognised in profit or loss	(8,317)	(62)	(160)	(2,602)	(11,141)
Transferred during the unbundling to LITGRID Turtas AB	(2,196)	-	(97)	(11,470)	(13,763)
At 31 December 2010	**164,181**	**1,443**	**273**	**2,523**	**168,420**

Company	**Revaluation of PP&E (increase in value)**	**Differen-ces in deprecia-tion rates**	**Tax relief on acquisi-tion of PP&E**	**Other**	**Total**
Deferred income tax liabilities					
At 1 January 2009	**(599,449)**	**(1,730)**	**(31,641)**	**(179)**	**(632,999)**
Recognised in profit or loss	30,848	574	9,073	-	40,495
Recognised in other comprehensive income	165,846	-	-	-	165,846
At 31 December 2009	**(402,755)**	**(1,156)**	**(22,568)**	**(179)**	**(426,658)**
At 31 December 2009	**(402,755)**	**(1,156)**	**(22,568)**	**(179)**	**(426,658)**
Recognised in profit or loss	28,782	353	2,167	75	31,377
Transferred during the unbundling to LITGRID Turtas AB	197,493	723	10,915	-	209,131
Recognised in other comprehensive income	(4,250)	-	-	-	(4,250)
At 31 December 2010	**(180,730)**	**(80)**	**(9,486)**	**(104)**	**(190,400)**

Deferred income tax, net, at 31 December 2008	**(381,743)**
Deferred income tax, net, at 31 December 2009	**(233,334)**
Deferred income tax, net, at 31 December 2010	**(21,980)**

Deferred income tax assets were offset with deferred income tax liability in the Company's statement of financial position as they relate to the same taxation 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 31 December 2010, the Company applied income tax rate of 15 per cent on those components which will be realised in 2010 and subsequent periods.

23 *Income tax (continued)*

The Company's and Group's deferred income tax to be realised within 12 months amounts to LTL 213 thousand and LTL 4,513 thousand respectively (Company's/Group's as at 31 December 2009: LTL 11,144 thousand).

As at 31 December 2010, the Group had LTL 10,927 thousand (31 December 2009: LTL 6,012 thousand) of accumulated unrealised tax losses on 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 2010	Company 2010	Group 2009	Company 2009
Profit before income tax from continued and discontinued operations	**118,618**	**37,385**	**24,880**	**32,764**
Income tax calculated at a tax rate of 15% (2009: 20%)	17,793	5,608	4,976	6,553
Adjustment of previous year income tax	(7,731)	(7,731)	-	-
Tax effect of income or expenses that are not subject to tax or deductable	(12)	191	(1,268)	(1,567)
Effect of income tax rate change	-	-	(313)	(1,216)
Income tax attributed to discontinued operations (Note 32)	(10,427)	-	-	-
Realisation of deferred income tax on in-kind contributions	(6,648)	(6,648)	-	-
Unrecognised deferred income tax assets	1,639	-	902	-
Income tax expense	**(5,386)**	**(8,580)**	**4,297**	**3,770**

24 *Trade payables*

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

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
Debts for electricity and related services	34,452	35,189	105,181	105,181
Amounts due for contractual works, other services	58,980	16,198	38,848	39,130
Amounts due for gas and fuel oil	29,339	-	-	-
Accrued liability for electricity	7,335	7,335	12,401	12,401
Amounts due for materials	8,168	-	694	694
Total	**138,274**	**58,722**	**157,124**	**157,406**

The fair value of trade payables approximates their carrying amounts.

25 Provisions for emission rights

As at 31 December 2010, provisions for emission rights were accounted for as follows:

	Group at 31 December 2010	Company at 31 December 2010
Balance at 31 December 2009	-	-
Acquisition of subsidiary (Note 7)	46,911	-
Increases*	7,301	-
Balance at 31 December 2010	**54,212**	**-**

*For the purpose of the statement of comprehensive income, expenses related to provisions for emission rights utilised are accounted for net of government grants (Note 21).

26 Other accounts payable and liabilities

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

	Group at 31 December 2010	Company at 31 December 2010	Group at 31 December 2009	Company at 31 December 2009
VAT payable to the budget	7,736	4,798	2,157	1,756
Taxes payable	4,237	3,317	2,670	2,617
Accrued other charges	3,855	2,628	5,408	5,408
Employment-related liabilities	2,744	654	3,282	1,868
Dividends payable	1,826	727	507	507
Vacation reserve	1,558	629	2,332	2,150
Other payables and current liabilities	1,065	197	3,196	56
Current portion of deferred income	-	-	803	803
Carrying amount	**23,021**	**12,950**	**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 sale of electricity and related services. Sales revenue for the periods ended on 31 December is presented below:

	Group 2010	Company 2010	Group 2009	Company 2009
Sale of electricity in domestic market	1,149,108	898,579	-	-
Export of electricity	52,431	52,431	265,224	265,224
Capacity reserve	30,920	30,920	-	-
Revenue from sale of thermal energy	4,641	-	-	-
Total	**1,237,100**	**981,930**	**265,224**	**265,224**

28 Segment information

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

As at 31 December 2010, the Group's management analyses the operations of the Company as a single segment of electricity generation and trade, including energy export/import. On 31 August 2010 Lietuvos Elektrinė AB was acquired which operates in the segment of electricity generation and constitutes a separate segment. The operations of Energijos Tiekimas UAB representing trade in electricity also constitute a separate segment. Other activities within the Group include repair services of energy objects and IT services.

On 30 November 2010, the Company transferred to LITGRID Turtas AB, a company established on the basis of a separated part of Lietuvos Energija AB, the activities of the electricity transmission system operator including the system's management, maintenance and operation activities. As a result, all income earned from these activities and related expenses incurred in 2010 were attributed to discontinued operations. Therefore all segments of the transmission system operator and the market operator are attributable to discontinued operations in 2010 as well. In addition, in 2010, the Company transferred to NT Valdos UAB real estate and activities related to real estate management and health centre development. All the Company's assets related to information technologies and activities carried out in the field of information technologies were transferred to Technologijų ir Inovacijų Centras UAB. Therefore, these activities previously disclosed in the segment 'other activities' are also attributed to discontinued operations (Note 32).

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.

Comparative figures of segments for 2009 have been changed to ensure consistency with the disclosure of segments in 2010.

28 *Segment information (continued)*

The Group's information on segments for the year ended 31 December 2010 is presented in the table below:

2010	Electricity generation and trade (including export/import)			Other activities	Total continuing operations
	Lietuvos Energija AB	Lietuvos Elektrinė AB	Energijos Tiekimas UAB		
Total segment revenue	**982,604**	**247,480**	**204,600**	**45,854**	**1,480,538**
Inter-segment revenue	(196,950)	(613)	(15)	(5,607)	(203,185)
Revenue from external customers	**785,654**	**246,867**	**204,585**	**40,247**	**1,277,353**
Expenses after elimination of expenses among the Group companies	**(696,892)**	**(228,427)**	**(199,008)**	**(28,890)**	**(1,153,217)**
including depreciation and amortisation expenses	(23,174)	(10,243)	-	(2,405)	(35,822)
including expenses related to revaluation of property, plant and equipment	-	-	-	1,349	1,349
Operating profit	**88,762**	**18,440**	**5,577**	**11,357**	**124,136**
Net finance income (expenses)					**908**
Profit before income tax					**125,044**
Income tax					**5,386**
Profit for the year from continuing operations					**130,430**

28 *Segment information (continued)*

The Group's information on segments for the year ended 31 December 2009 is presented in the table below:

2009	Lietuvos energija Electricity Export/import	Other activities	Total continuing operations
Total segment revenue	**265,224**	**25,334**	**290,558**
Inter-segment revenue	-	(3,810)	(3,810)
Revenue from external customers	**265,224**	**21,524**	**286,748**
Expenses after elimination of expenses among the Group companies	**(179,269)**	**(26,000)**	**(205,269)**
including depreciation and amortisation expenses	(1,869)	(1,206)	(3,075)
including expenses related to revaluation of property, plant and equipment	(866)	-	(866)
Operating profit	**85,955**	**(4,476)**	**81,479**
Net finance income (expenses)			**7,677**
Profit before income tax			**89,156**
Income tax			**4,297**
Profit for the year from continuing operations			**84,859**

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

As at 31 December 2010 and 31 December 2009, the Group's and the Company's revenue by country was as follows:

Country	Group 2010	Company 2010	Group 2009	Company 2009
Lithuania	1,224,922	930,173	46,259	27,897
Finland	43,010	43,010	51,585	51,585
Estonia	9,274	9,274	161,750	161,750
Latvia	147	147	24,388	24,388
Germany	-	-	2,167	-
Denmark	-	-	599	-
Total	**1,277,353**	**982,604**	**286,748**	**265,620**

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

The Group's revenue received from one external client amounted to LTL 1,372,049 thousand (2009: LTL 1,058,540 thousand). The Company's revenue received from one external client amounted to LTL 610,150 thousand (2009: LTL 1,058,540 thousand).

29 Other operating income

As at 31 December 2010 and 31 December 2009, the Group's and the Company's other operating income included as follows:

	Group 2010	Company 2010	Group 2009	Company 2009
Repairs, transmission of data and other services	39,557	-	16,873	-
Gain on disposal of property, plant and equipment	696	674	170	170
Other income	-	-	4,481	226
Total	**40,253**	**674**	**21,524**	**396**

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

	Group at 31 December 2010	Company at 31 December 2010
Total income from repair services from the commencement date of the project	6,899	20,384
Total expenses from repair services from the commencement date of the project	7,782	16,739
Trade receivables (included in accounts receivable)	5,519	8,889
Advance amounts received	66	101

30 Finance income

As at 31 December 2010 and 31 December 2009, the Group's and the Company's finance income included as follows:

	Group 2010	Company 2010	Group 2009	Company 2009
Interest income	2,838	2,419	7,828	7,928
Other income	729	700	1,641	1,542
Foreign currency exchange gain	374	5	9	9
Total finance income	**3,941**	**3,124**	**9,478**	**9,479**

31 Finance costs

As at 31 December 2010 and 31 December 2009, the Group's and the Company's finance costs included as follows:

	Group 2010	Company 2010	Group 2009	Company 2009
Interest expense*	(1,548)	(454)	(1,547)	(1,445)
Foreign currency exchange loss and other costs	(1,495)	(48)	(392)	(42)
Loan service costs	(44)	-	-	-
Total finance costs	**(3,087)**	**(502)**	**(1,939)**	**(1,487)**

*In addition to interest expense recognised as finance costs as disclosed in Note 5 interest capitalised as part of property, plant and equipment amounted to LTL 7,961 thousand at the Group in 2010.

32 *Discontinued operations*

On 1 January 2010, the Company's subsidiary LITGRID UAB started to carry out the activities of the transmission system operator which were previously carried out by the Company, therefore in preparing the statement of comprehensive income for the period ended 31 December 2010 the Company presented comparative figures for 2009 related to activities transferred to the subsidiary as discontinued operations. Furthermore, activities of electricity trading (market operator) carried out in 2009 were reclassified to discontinued operations in the Company's statement of comprehensive income for 2009 because starting from 2010 the Company has been engaged in a different type of electricity trading, i.e. it is conducted through the electric power trading exchange. Finally, Company's income and related expenses, attributable to activities transferred to associates Technologijų ir Inovacijų Centras and NT Valdos UAB and subsidiary Data Logistic Center UAB were presented as discontinued operations.

On 30 November 2010, the Group transferred to LITGRID Turtas AB, a company established on the basis of a separated part of Lietuvos Energija AB, the electricity transmission system including the system's management, maintenance and operation activities. As a result, all income earned from these activities and related expenses incurred in 2010 were attributed to discontinued operations. Accordingly, the Group's income and expenses for 2009 were reclassified to ensure consistency with the Group's presentation of continuing and discontinued operations. Furthermore, activities of electricity trading (market operator) carried out in 2009 were reclassified to discontinued operations in the Group's statement of comprehensive income for 2009 because starting from 2010 the Group has been engaged in a different type of electricity trading, i.e. it is conducted through the electric power trading exchange. Finally, Group's income and related expenses, attributable to activities transferred to associates Technologijų ir Inovacijų Centras and NT Valdos UAB were presented as discontinued operations.

	Group 2010	Company 2010	Group 2009	Company 2009
Sales revenue	839,156	138,411	1,281,993	1,281,557
Purchase of electricity or related services	(616,651)	-	(881,859)	(881,859)
Purchase of capacity reserve	-	-	(116,276)	(116,276)
Wages and related expenses	(31,708)	(20,361)	(60,406)	(48,392)
Repair and maintenance expenses	(8,077)	(10,413)	(12,068)	(13,107)
Depreciation and amortisation	(128,744)	(128,298)	(175,715)	(174,843)
Loss on revaluation of property, plant and equipment	(11,378)	(11,380)	(80,294)	(80,168)
Other expenses	(43,782)	(16,873)	(19,651)	(28,277)
Operating (loss)	**(1,184)**	**(48,914)**	**(64,276)**	**(61,365)**
(Loss) before income tax	**(1,184)**	**(48,914)**	**(64,276)**	**(61,365)**
Income tax expense (Note 23)	(10,427)	-	-	-
Gain on disposal of subsidiaries	5,185	1,314	-	-
(Loss) for the year from discontinued operations	**(6,426)**	**(47,600)**	**(64,276)**	**(61,365)**
(Loss) for the year from discontinued operations attributable to owners of the Company	(6,426)		(64,276)	
Weighted average number of shares	759,156		689,515	
Basic and diluted (deficit) per share (in LTL) from discontinued operations	(0.01)	-	(0.09)	

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 31 December 2010 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	34,588	138,865	912,767*	1,372,049*
Visagino Atominė Elektrinė UAB	28	24	58,266	816
Associates of the Group	173	5,210	2,539	610
Total	**34,789**	**144,099**	**973,572**	**1,373,475**

* BALTPOOL UAB does not recognise electricity purchases and sales as income and expense. During 2010 the Group companies has sold electricity to BALTPOOL UAB in the amount of LTL 455,933 thousand and purchased electricity in the amount of LTL 863,127 thousand.

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

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	670	20,189	340,256*	701,359*
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	29,510	80,153	522,066*	610,150*
Visagino Atominė Elektrinė UAB	28	24	58,266	816
Associates of the Company	117	5,051	2,430	381
Total	**30,325**	**105,417**	**923,018**	**1,312,706**

* BALTPOOL UAB does not recognise electricity purchases and sales as income and expense. Sales and purchases with this entity during January – November are disclosed under sales/purchases with subsidiaries and during December – under transactions with entities controlled by the Ministry of the Energy. During 2010 the Company has sold electricity to BALTPOOL UAB in the amount of LTL 380,021 thousand and purchased electricity in the amount of LTL 797,555 thousand.

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

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

33 Related-party transactions (continued)

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

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

The major related-party sale and purchase transactions in 2010 and 2009 represented transactions with the entities controlled by the Ministry of Energy of the Republic of Lithuania: Lietuvos Elektrinė AB, Rytų Skirstomieji Tinklai AB, VST AB. The Group's purchases from these entities mainly included purchases of 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 included regular business transactions and therefore they are not disclosed.

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 to the associate and the subsidiaries as disclosed in Note 36. Related-party payables and receivables are expected to be settled in cash or by set-off against payables/receivables to/from a respective related party.

Payments to key management personnel

	Group 2010	Company 2010	Group 2009	Company 2009
Employment-related payments	2,755	1,494	3,005	1,686
Termination benefits	512	89	811	531
Other material amounts calculated for key management personnel	-	-	-	-
Number of key management personnel	26	10	26	6

Management consists of 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:

	2010	2009
Profit for the year from continuing operations attributable to owners of the Group	125,044	89,156
Weighted average number of shares (units)	759,156	689,515
Basic and diluted earnings per share (in LTL) from continuing operations	**0.16**	**0.13**

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 31 December 2010**	**Company at 31 December 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Trade receivables	179,061	97,972	170,342	164,157
Other receivables	8,270	4,692	77,568	78,014
Term deposits	-	-	17,160	17,000
Cash and cash equivalents	86,925	69,507	54,167	51,347
Other non-current receivables	1,171	6,915	510	510
Loans and receivables	**275,427**	**179,086**	**319,747**	**311,028**
Other financial assets	1,118	-	127	-
Financial assets at fair value through profit and loss	**1,118**	**-**	**127**	**-**
Total	**276,545**	**179,086**	**319,874**	**311,028**

Financial liabilities	**Group at 31 December 2010**	**Company at 31 December 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Borrowings	548,526	-	14,200	13,811
Finance lease liabilities	1,362	-	2,097	-
Other non-current payables	4,703	4,680	-	-
Trade payables	138,274	58,722	157,124	157,406
Other accounts payable and liabilities	1,065	197	3,196	56
Financial liabilities at amortised cost	**693,930**	**63,599**	**176,617**	**171,273**

Credit risk

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

	Group at 31 December 2010	**Company at 31 December 2010**	**Group at 31 December 2009**	**Company at 31 December 2009**
Financial assets	276,545	179,086	319,874	311,028

The maximum exposure to credit risk is represented by the carrying amount of each financial asset and the total amount of guarantees issued to the associate and the subsidiaries (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 31 December 2010 and 31 December 2009, trade receivables neither past due nor impaired were of high credit quality as the majority of these receivables are due from operators of the distribution network and large industrial companies. The Group and the Company are exposed to significant credit risk concentration, because credit risks are shared among 10 main customers, which account for approximately 96 per cent of the total Group's and Company's trade receivables.

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

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 (continued)

Liquidity risk

The liquidity risk is managed by planning the cash flows of the Group. In order to manage the liquidity risk, cash flow forecasts are prepared. Overdraft and credit line agreements are used to manage the difference between the risks of late collection of receivables and the short-term cash flows (inflows and outflows). Undrawn balances of loans are disclosed in Note 19.

The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 31 December 2010 were 1.64 and 1.16 respectively (31 December 2009: 1.57 and 1.54, respectively). The Company's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 31 December 2010 were 2.68 and 2.67, 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 approximate their carrying amounts, because the impact of discounting is insignificant.

Group	Within the first year	Within the second year	Within third – fifth years	After five years
At 31 December 2010				
Borrowings	70,333	42,475	219,999	372,859
Finance lease liabilities	532	465	400	-
Trade and other payables	139,339	272	954	3,454
At 31 December 2009				
Borrowings	14,200	-	-	-
Finance lease liabilities	532	503	1,062	-
Trade and other payables	160,320	-	-	-

Company	Within the first year	Within the second year	Within third – fifth years	After five years
At 31 December 2010				
Borrowings	-	-	-	-
Trade and other payables	58,919	272	954	3,454
At 31 December 2009				
Borrowings	13,811	-	-	-
Trade and other payables	157,462	-	-	-

Interest rate risk

The income and cash flows of the Group companies are affected by fluctuations in market interest rates as all borrowings of the Group companies bear floating interest rates as at 31 December 2010. Increase in interest rate risk is mostly affected by non-current borrowings. All borrowings bear floating interest rates which are linked with LIBOR-EUR. Periods of reprising of interest rates are disclosed in Note 19.

If interest rates on withdrawn borrowings of the Group companies had been 1 per cent higher/lower, profit for the 2010 year would have been LTL 1,425 thousand lower/higher.

Foreign exchange risk

The Group companies conduct certain transactions that are denominated in foreign currencies. This leads to the occurrence of concentration of foreign exchange risk.

With effect from 1 February 2002, the exchange rate of the litas is pegged to the euro. As a result, changes in exchange rates of the euro do not have a significant impact on the Company's equity. As at 31 December 2010, the Company/Group did not have any significant assets or liabilities denominated in currencies other than the litas and the euro.

The Group companies did not use any financial instruments to manage the currency risk.

35 Financial risk management (continued)

Risk of security prices

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

The Company has direct control over the subsidiaries and take part in management of associates (Note 7). Investments in these companies are accounted for at acquisition cost, which is adjusted by impairment losses, if any, in the separate financial statements of the Company. Investments in associates in the Group's consolidated financial statements are accounted for using the equity method by adjusting their carrying amounts by the share of the profits or losses attributable to the Group. The increase/decrease in the carrying amount of these investments directly affects the financial results of the Group. The Company impacts the results of its subsidiaries and associates by taking part in the formation of the management policy of operations of these companies.

Fair value of financial assets and liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade receivables and other receivable, trade and other payables, non-current and current borrowings.

The fair value of the Group's financial assets at fair value through profit or loss is based on prices in an active market.

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 cash and cash equivalents, current trade and other accounts receivable, current trade and other accounts payable and current borrowings approximates their fair value;
- The fair value of non-current borrowings is based on the quoted market price for the same or similar loan or on the current rates available for loan with the same maturity profile. The fair value of a non-current borrowing bearing floating interest rates approximates its carrying amount in cases when the margin of such a loan corresponds to margins of debts currently prevailing in the market.

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 shall expire after a full repayment of the loans by the associate to the respective banks, i.e. on 15 March 2014 and 15 September 2014, respectively. The Group/Company accounted for these guarantees at fair value. The carrying amount of the guarantee obligations amounted to LTL 718 thousand as at 31 December 2010 (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.

In order to ensure the fulfilment of obligations the power exchange participants are required to present to BALTPOOL UAB the bank guarantee on the fulfilment of their obligations not later than within 10 (ten) working days before the commencement date of the trading session at the power exchange and/or provide a monetary collateral. As at 31 December 2010, a monetary collateral provided by the Company to BALTPOOL UAB amounted to LTL 6,000 thousand. As at 31 December 2010, bank guarantees provided by the Company and the Group to BALTPOOL UAB amounted to LTL 5,400 thousand.

As at 31 December 2010, the support letter was submitted by the Company to Danske Bank A/S Lithuania Branch with regard to 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 amount 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 was 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 the ruling rejecting the claim of Vilniaus Energija UAB in its entirety. On 28 July 2010, Vilniaus Energija UAB filed a claim in appeal to Vilnius County Court requesting that the decision of Vilnius County Court is annulled and a new decision is passed, namely, that the claim of Vilniaus Energija UAB is satisfied in full. The Lithuanian Court of Appeals examined the dispute in March 2011 and remained the ruling of Vilnius County Court unchanged.

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 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. On 26 October 2010 Vilnius County Court passed the ruling which satisfied the claim of Kauno Termofikacinė Elektrinė UAB against Lietuvos Energija AB in part and ordered the repayment of the debt of LTL 647 thousand, interest of LTL 6 thousand and annual interest of 6 per cent charged on the amount awarded from 20 March 2009 until a full fulfilment of the court's ruling. Lietuvos Energija AB filed an appeal against this decision. The examination of the appeal is to be held in 2011. 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 or might be not settled in favour of Lietuvos Energija AB.

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

38 Final Spin-off balance sheets

	Lietuvos energija AB before spin-off At 30 November 2010	Lietuvos energija AB after spin-off At 30 November 2010	LITGRID Turtas AB after spin-off At 30 November 2010	LITGRID Turtas AB Group after spin-off At 30 November 2010
ASSETS				
Non-current assets				
Intangible assets (Note 4)	411	-	411	1,638
Property, plant and equipment (Note 5)	2,642,318	590,123	2,052,195	2,064,150
Prepayments for property, plant, equipment	1,967	-	1,967	1,967
Investment property (Note 6)	917	-	917	-
Investments in subsidiaries (Note 7)	646,495	628,457	18,038	-
Investments in associates and joint ventures (Note 7)	180,778	160,836	19,942	21,611
Other non-current assts	451	451	-	189
Total non-current assets	**3,473,337**	**1,379,867**	**2,093,470**	**2,089,555**
Current assets				
Inventories	2,258	636	1,622	4,968
Prepayments	9,408	9,408	-	835
Trade receivables	71,429	71,429	-	117,813
Other receivables	22,647	22,647	-	9,206
Term deposits	-	-	-	26,000
Cash and cash equivalents	126,700	83,885	42,815	98,727
Total current assets	**232,442**	**188,005**	**44,437**	**257,549**
Non-current assets classified as held for sale	**1,543**	**1,543**	**-**	**-**
TOTAL ASSETS	**3,707,322**	**1,569,415**	**2,137,907**	**2,347,104**

38 Final Spin-off balance sheets (continued)

	Lietuvos energija AB before spin-off At 30 November 2010	Lietuvos energija AB after spin-off At 30 November 2010	LITGRID Turtas AB after spin-off At 30 November 2010	LITGRID Turtas AB Group after spin-off At 30 November 2010
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	993,614	489,283	504,331	504,331
Share premium	325,388	295,767	29,621	29,621
Revaluation reserve	306,225	6,643	299,582	299,582
Legal reserve	68,952	21,287	47,665	47,730
Other reserves	(63,777)	(63,777)	-	-
Retained earnings	1,679,506	692,109	987,397	1,041,859
Total equity attributable to owners of the Company	**3,309,908**	**1,441,312**	**1,868,596**	**1,923,123**
Non-controlling interest				3,352
Total equity	**3,309,908**	**1,441,312**	**1,868,596**	**1,926,475**
Non-current liabilities				
Grants	70,091	27,584	42,507	42,507
Deferred income	15,631	-	15,631	15,631
Other non-current accounts payable and liabilities	6,538	6,304	234	438
Deferred income tax liabilities	217,540	22,172	195,368	195,368
Total non-current liabilities	**309,800**	**56,060**	**253,740**	**253,944**
Current liabilities				
Borrowings	-	-	-	158
Trade payables	60,499	60,499	-	129,446
Advance amounts received	1,469	469	1,000	9,512
Income tax payable	-	-	-	10,497
Other accounts payable and liabilities	25,646	11,075	14,571	17,072
Total current liabilities	**87,614**	**72,043**	**15,571**	**166,685**
Total liabilities	**397,414**	**128,103**	**269,311**	**420,629**
TOTAL EQUITY AND LIABILITIES	**3,707,322**	**1,569,415**	**2,137,907**	**2,347,104**

38 Final Spin-off balance sheets (continued)

The principles of the preparation of the final spin-off balance sheets are described in the spin-off terms and conditions of Lietuvos Energija AB.

During the spin-off, the spin-off part, including the activity carried out by Lietuvos Energija AB of the transmission system operator, activity of the electricity market operator and part of the information technologies and other energy activity relating to the activity carried out by the transmission system operator, have been transferred to LITGRID turtas AB by transferring the entire assets, rights and obligations of Lietuvos Energija AB related to the spin-off part.

The spin-off was carried so that the amount of the authorised capital and the number of the shares transferred to the LITGRID AB and retained by AB Lietuvos energija after the spin-off are directly proportionate to their shareholders" interests in the equity of the shareholders of AB Lietuvos energija before the spin-off.

The entire non-current and current assets and liabilities of Lietuvos energija AB relating to the spin-off part and based principles of preparation of spin-off balance sheet specified in the Transfer-Acceptance Act and transferred to the LITGRID turtas, AB.

39 Events after the end of the reporting period

Regarding the preparation of the reorganisation terms

On 19 January 2011, a general extraordinary meeting of shareholders of Lietuvos Energija AB was convened where it was decided to delegate the Board of Lietuvos Energija AB with the task of drawing up terms and conditions of reorganisation of Lietuvos Energija AB and Lietuvos Elektrinė AB by way of merger in cooperation with the Board of AB Lietuvos Elektrinė AB (paragraph 2 of Article 2.97 of the Civil Code of Lithuania). The merger is planned to be completed by 1 August 2011, when the Lietuvos Elektrinė AB will be merged with the parent company Lietuvos energija AB.

Regarding the change of the General Director

By the decision of the Company's Board of 11 February 2011 the resignation of Mr. Aloyzas Koryzna from the position of the General Director was approved. Mr. Aloyzas Koryzna also submitted a request on the resignation from the position of a member of the Board of Lietuvos Energija AB. Mr. Dalius Misiūnas was appointed as the new General Director of Lietuvos Energija AB.

Regarding the establishment of the subsidiary

The Boards of Lietuvos Energija AB and Kauno Energija AB passed decisions regarding the establishment of a joint venture whose objective is the implementation of the project on the construction of a new co-generation power plant which will use biofuel. The share capital of the entity to be established is expected to amount to LTL 200 thousand and Lietuvos Energija AB and Kauno Energija AB are to acquire 67 per cent and 33 per cent, respectively, of the share capital of the entity to be established.

Renewal of overdrafts

In March 2011 Swedbank AB overdraft of LTL 13,000 thousand and Bank A/S Lithuanian branch overdraft of LTL 17,000 thousand matured. Both overdraft agreements were renewed for one year.

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