LIETUVOS ENERGIJA

AKCINĖ BENDROVĖ LIETUVOS ENERGIJA

STATEMENT OF THE RESPONSIBLE PERSONS

Vilnius, 24th August 2009

In reference to the provisions of Article 22 of the Law on Securities of the Republic of Lithuania and the Rules for the Drawing up and Submission of the Periodic and Additional Information of the Securities Commission of the Republic of Lithuania, I, the undersigned Aloyzas Koryzna, Chairman of the Board and CEO of AB „Lietuvos energija", Darius Grondskis, Head of Finance Planning and Treasury Division and Tatjana Didikienė, Chief Financier of AB „Lietuvos Energija" hereby confirm that, to the best of our knowledge, the consolidated unaudited interim financial statements for the six months period of year 2009, is prepared in accordance with the International Financial Reporting Standards effective in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of AB „Lietuvos Energija" for the relevant period.

Enclosure: AB „Lietuvos Energija" consolidated unaudited Interim Financial Statements for the six months period of year 2009 - 65 pages, 1 copy.

Aloyzas Koryzna
Chairman of the Board and CEO

Darius Grondskis
Head of Finance Planning and Treasury Division

Tatjana Didikienė
Chief Financier

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LIETUVOS ENERGIJA AB

CONSOLIDATED AND STAND ALONE
INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2009 (unaudited)

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

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The interim financial statements were approved by General Director, Head of Finance Planning and Treasury Division and Chief Financier on 24 August 2009.

Aloyzas Koryzna General Director	Darius Grondskis Head of Finance Planning and Treasury Division	Tatjana Didikienė Chief Financier

CONSOLIDATED INTERIM REPORT OF LIETUVOS ENERGIJA AB AND ITS SUBSIDIARIES FOR THE SIX-MONTH PERIOD OF 2009

The consolidated interim report for the six-month period of 2009 of Lietuvos Energija AB (hereinafter, the "Company") and its subsidiaries (hereinafter the Company and its subsidiaries are collectively referred to as the "Group") has been prepared in accordance with Chapter Four(1), Article 24(1) of the Republic of Lithuania Law on Financial Statements of Entities and Chapter Two(1), Article 9(1) of the Republic of Lithuania Law on Consolidated Accounts of Entities, as well as Resolution No. 1K-3 of the Securities Commission of the Republic of Lithuania, dated 23 February 2007, "Regarding Approval of the Rules for Preparation and Submission of Periodical and Additional Information".

The consolidated interim report presents information in a concise form and only contains material changes in information presented in the last consolidated annual report.

General information about the Group companies

Reporting period for which the consolidated interim report has been prepared

The consolidated interim report of the Company and its subsidiaries has been prepared for the first six months of 2009.

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

Compared to information provided in the last consolidated annual report, no changes occurred, except that on 2 June 2009, the Company's subsidiary Kauno Energetikos Remontas UAB sold its shares in OOO Kaliningradskij Energoremont to a third party.

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

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

Main business activities of the Group companies

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

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

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

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

During the reporting period the Company carried on the following principal activities: activities of transmission system operator (hereinafter, "TSO"), transmission trading (market operator) and electricity export/import. The Company also carried out other, non-operating activities. From the beginning of this year, with the aim to provide more accurate information about the business segments existing in the Company, the following additional business segments were distinguished within the activities of the transmission system operator: electricity transmission activities, trade in balancing/regulating electricity, sale of power reservation services, provision of public service obligations (hereinafter, the "PSOs"), and other TSO activities. The major part of electricity generation operations of the Kaunas HPP and Kruonis PSP, after elimination of internal turnovers, was assigned to the segment of selling power reservation services, as well as trade in electricity and export/import of electricity.

In the first half of this year, the Company's performance was adversely affected by the country's economic downturn and a resulting decline in electricity consumption. The goal of the Company is to ensure a reliable functioning of the entire power system. This year the country's power system suffered no major disruptions: in the beginning of June, Ignalina Nuclear Power Plant was closed for unscheduled repairs for nearly three weeks, however, power supply to consumers was ensured through the use of other power generation sources. The crisis had a significant impact on the performance of the other company of the Group – Kauno Energetikos Remontas UAB. Compared with the preceding year, its performance indicators have seriously deteriorated.

At the end of the first quarter of this year, the international rating agency *Standard & Poor's* satisfied the request of Lietuvos Energija AB to stop providing ratings on the Company. The Board of the Company submitted this request because it planned to obtain a credit rating service for the entire LEO LT Group. Also, drawing on the fact that credit ratings for the State of Lithuania were reduced, before satisfying the request of Lietuvos Energija AB, *Standard &*

Poor's announced that it lowered the Company's long-term credit rating from BBB+ to BBB and its short-term credit rating from A-2 to A-3.

Transmission system operator's business

The core business of the Company is the performance of electricity transmission system operator's function; for the performance of this activity the Company holds an electricity transmission license with unlimited validity period.

The price cap for electricity transmission services is set by the National Control Commission for Prices and Energy (hereinafter, the "Commission"). In accordance with the Methodology for Setting the Prices and Price Caps for Electricity Transmission and Distribution Services approved by Resolution No. O3-85 of 30 August 2004, price caps are set for a three-year regulatory period and are adjusted yearly depending on changes in the efficiency ratios set by the Commission, inflation rates, transmission volumes and other factors beyond control of the Company. The price cap for electricity transmission service set for 2009 is 4.04 ct/kWh (not including the capacity reserve service and the PSO price).

Each year the Company's Board approves consumer prices for transmission service, which cannot exceed the defined price cap. From 2007 until the end of the first half of this year, the price for transmission service did not change and remained at the level of 2.4 ct/kWh. On 25 May 2009, taking into account a complicated economic situation of the country, the Board of the Company resolved to reduce the price of electricity transmission service and approved of changes to the price and tariffs of electricity transmission and the procedure of their application. As of 1 July 2009, a non-differentiated price of electricity transmission service of the transmission system operator amounts to 2.2 ct/kWh. Such a possibility to reduce the price of electricity transmission arose as a result of a consistent reduction of expenses, increasing of the efficiency of operations of the Company and a drop in the purchase price of services, works and goods.

During the six-month period of 2009, the Company, as the transmission system operator, transmitted through its high voltage power lines 4.63 billion kWh of electricity for domestic needs. On account of the persisting economic downturn, electricity sales declined by 8.6 percent compared to the respective period of 2008: the volume of electricity transmitted to distribution networks decreased by 6.9 percent compared with the same period of 2008 and accounted for 4.15 billion kWh; the volume of electricity transmitted to other consumers was 0.48 billion kWh, or 21 percent less.

Business of market operator

In addition to the function of the transmission system operator, the Company also performs the function of transmission trading (market operator). In conducting this activity the Company manages the domestic electricity market: registers bilateral agreements of wholesale market players, accumulates assignments for electricity trade at the auction, determines ranking of sales, documents trade transactions under bilateral agreements and in the auctions, presents electricity trade information to market players and supervisory institutions.

Suppliers operating on the Lithuanian wholesale market trade in electricity of two types: *contractual* on the basis of direct bilateral agreements, signed between generators and suppliers; and *additional electricity*, sold through an auction of generators. After the change in the rules of trading, PSO electricity is no longer traded on the domestic market; funds intended as compensation to generators for public service obligation are collected along with the funds relating to electricity transmission service.

In the first half of 2009, the demand of the Lithuanian wholesale market was 5.27 billion kWh (in the respective period of 2008 – 5.71 billion kWh). Wholesale market players purchased 3.51 billion kWh of contractual electricity, and 1.76 billion kWh of additional electricity.

Additional electricity was traded through the Company as the market operator.

Electricity export/import

The Company holds permits to engage in electricity generation, import and export.

The Company generates electricity in two power plants owned by it: Kaunas HPP and Kruonis PSP. Due to the fact that these power plants operated as integral parts of electricity transmission system, electricity generated by them was mostly used for compensation of the Company's technological losses and ensuring the balance of generation and consumption levels, while the power reservation service provided by Kruonis PSP was sold through the Company, beginning from 1 January of this year, the generation segment was assigned to other business segments of the Company: selling of power reservation services, trade in electricity and export activities.

The Company continuously strives to optimise the structure of its exports, and to achieve the highest benefit at the least possible cost. In the first half-year of 2009, the Company sold for export 1.64 billion kWh. Compared to the

respective period of 2008, the volume of electricity sold by the Company for export increased by 17.9 percent due to a decrease in the domestic demand for electricity.

Other activities

The Company operates and expands its telecommunication network, the capacity of which is mainly used for the needs of the transmission system operator and also for the provision of information technology and telecommunication services (hereinafter, "ITT") to other consumers. During six months of 2009, a description of IT services provided inside the Company and the target time of provision of the services was prepared, and the quality of the services was measured.

Furthermore, income from recreational activities and lease of premises is included under income from other operations.

Subsidiaries

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

Investments in non-current assets

The directions of investment into non-current assets in the first half of 2009 remained the same – investment focused on reconstruction and development of the transmission network (66% of total investment made in the first half-year) and modernisation and reconstruction of power plants (mainly Kaunas HPP) (21% of total investment made in the first half-year). The first half-year saw the completion of one of the largest reconstruction projects of the power transmission network – reconstruction of Vilnius transformer substation 330/110/10 kV, valued at LTL 86.7 million. The reconstruction of the substation produced the following results: the capacity of the substation increased up to 350 megavolamperes (MVA), the system of remote control and information transmission was implemented, the reliability of electricity transmission to Vilnius region improved, and the maintenance costs of the substation decreased.

One of the key objectives of the Company is the integration of the Lithuanian energy system into the electricity market of Western Europe and the development of regional cooperation. LitPol Link Sp z.o.o., a joint venture of PSE Operator (Poland) and Lietuvos Energija AB, whose aim is to carry out preparatory works for the construction of the Alytus-Elkas transmission line, continued its activities: in the first half of this year the company and shareholders signed bilateral and trilateral contracts defining the scope of works of the first project stage and the procedures for the performance of such works; draft documentation relating to the purchase of services/works from third parties was prepared and two public tenders were announced. Lietuvos Energija AB submitted an application for assistance from the EU TEN-E fund for one item of works forming part of the project, i.e. preparation of the technical design of the converter and transmission line Alytus-state border for the amount of EUR 2.37 million; furthermore, assistance of EUR 2 million has already been allocated for other works of the project from Ignalina NPP Decommissioning Fund which is administered by the European Bank for Reconstruction and Development.

In September 2008, LEO LT AB established a subsidiary InterLinks UAB, which was assigned with the task to continue the implementation of the project on power grid connection between Lithuania and Sweden. On 23 June 2009, Lietuvos Energija AB and Public Institution Central Project Management Agency signed the Consortium Agreement with the aim to take part in the implementation of the project on interconnection of the power grids between Lithuania and the Kingdom of Sweden.

Risk factors related to the issuer's operations

In the letter of 26 June 2009 addressed to Permanent Representation of Lithuania to the European Union, the European Commission indicated that the Republic of Lithuania defaulted on its obligations provided for in Article 10 of Directive 2003/54/EC which contains the requirement that all transmission activities shall be independent at least in terms of the legal form, organisation and decision-making from other activities not relating to transmission. In the opinion of the Commission, the transmission system operator is related to trade activities as it holds permits for import and export of electricity. The Company's activities may depend on decisions of the Government of the Republic of Lithuania on the matters mentioned above.

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

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

The table below contains the results of financial performance of **the Company only,** as the parent company of the Group. For purposes of comparison, the results of the respective period of 2008 were recalculated as a result of a change in the policy of accounting for expenses of public service obligations, which consists in a different distribution of expenses in the course of the year, taking into account their seasonality.

	1st half-year of 2009	1st half-year of 2008
Financial results (in LTL thousand)		
Sales revenue	804,656	633,330
Other operating income	13,584	11,723
EBITDA (earnings before taxes + interest expenses – interest income – dividends received + depreciation and amortisation + impairment loss of non-current and current assets and revaluation loss on non-current assets*)	112,644	128,049
Operating profit (loss)	(30,164)	61,508
Net profit (loss)	(22,707)	50,971
Net cash flow from operating activities	76,540	130,461
Financial liabilities (borrowings and issued bonds)	39,707	50,829
Investments	40,192	65,812
Non-current assets at the end of the year	2,983,738	2,609,514
Financial structure (ratio):		
Liabilities / equity capital	0.30	0.23
Financial liabilities / equity capital	0.02	0.02
Financial liabilities / assets	0.01	0.02
Loan coverage ratio:		
Loan coverage ratio EBIT (earnings before taxes + interest expenses – interest income – dividends received)/ (interest expenses + loans due within one year)	(1.13)	4.82
Interest coverage ratio EBIT (profit from continuing operations before taxes + interest expenses – interest income – dividends received/ interest expenses)	(35.6)	40.72
Margins and profitability:		
Return on equity (net profit/ equity capital) (%)	(0.88%)	2.25%
Return on assets (net profit / assets) (%)	(0.68%)	1.83%
Earnings per share (ct per share)	(-3.3)	7.4

* Impairment of investments into associated undertakings and subsidiaries is not included.

Statement of financial position

Since 31 December 2008, non-current tangible assets, except the group of assets of the Hydro Power Plant and the Pumped Storage Plant, which continue to be carried at cost less accumulated depreciation and impairment loss, are carried at revalued amounts, based on periodic (at least every 5 years) valuations by external independent appraisers, less accumulated depreciation and impairment losses. Considering a drop in construction prices, in the first half-year the carrying value of non-current tangible assets and intangible assets was reduced to the fair value of such assets (see Note 5 of the Explanatory Notes to the Financial Statements).

The Company's debt ratio (financial liabilities / assets) is decreasing along with a reduction in debts owing to financial institutions, and the level of the Company's debts remains rather low.

Compared to information provided in the last consolidated annual report, there are no major changes in the principles of drawing up of the balance sheet.

Statement of comprehensive income

Revenue and expenses

Revenue

In the first half of 2009, revenue from sales and other operations of the Group amounted to LTL 827.4 million and was 22.2 percent higher than in 2008. Key factors underlying the growth in the Company's revenue, such as an increase in PSO prices, increased electricity sales volume and trade via auction due to a decline in the sales volume of Ignalina NPP during its unscheduled repairs in June, did not have an impact on the growth of profit.

The most significant part in the revenue structure is represented by the sales of electricity on the domestic wholesale electricity market and PSO, i.e. 60% of the total revenue. The Company's revenue from its principal activities as the transmission system operator was LTL 115.8 million, or 14 percent of the total revenue. Compared with the preceding year, revenue from electricity transmission declined by 4.8 percent due to lower volumes of electricity transmission.

Sales revenue of Kauno Energetikos Remontas UAB group (in the consolidated financial statements of Lietuvos Energija AB this revenue is qualified as revenue from other operations) dropped as a result of a declining number of orders attributable to the economic downturn from LTL 33.5 million (1st half-year of 2008) to LTL 10.5 million (1st half-year of 2009), or by 69 percent.

Energetikos Pajegos UAB mainly provided services to Group companies. The revenues of this company amounted to LTL 1 million. Kruonio Investicijos UAB did not earn revenue from sales.

Expenses

During the reporting period of 2009, expenses incurred by the Group amounted to 861 million litas. The biggest portion of expenses of the Group (LTL 654.8 million or 76 %) was incurred in connection with the purchase of electricity or related services; depreciation and amortisation expenses amounted to LTL 87.8 million, impairment losses amounted to LTL 56 million, salary expenses and related expenses amounted to LTL 33 million.

In the first half of 2009, the policy of accounting for expenses of public service obligation was changed. Prior to the change, the cost of purchasing PSO electricity was distributed in the financial statements evenly on a monthly basis and even payments were made to producers. Taking into account comments from auditors that, in general, expenses are incurred when electricity is purchased, not when funds are paid or invoices are received, it was resolved that expenses will be recognised in the course of the year, in proportion to the volume of electricity supplied by producers (see Note 2.2c of the Explanatory Notes to the Financial Statements).

Expenses of subsidiaries in the total structure of expenses represented only a negligible part – 2 percent.

Profit

In accordance with International Reporting Standards, in the first half-year of 2009, loss before tax of the Group amounted to LTL 31.3 million, net loss amounted to LTL 26.4 million.

The Company's net loss amounted to LTL 22.7 million, loss of Kauno Energetikos Remontas UAB group amounted to LTL 3.5 million, net profit of Energetikos Pajėgos UAB amounted to LTL 0.2 million, Kruonio Investicijos UAB suffered a loss of LTL 0.1 million.

A decrease in profit was mainly affected by a reduction of the carrying value of non-current tangible assets and intangible assets, made considering a drop in construction prices, to the fair value of such assets. The profit also decreased as a result of a significant decline of electricity consumption in the first half of 2009 and an increase of depreciation and amortisation expenses.

Statement of Cash flows

In the first half-year of 2009, net cash flow from operating activities of the Group decreased to LTL 75.2 million. During the respective period of 2008 cash flow from operating activities of the Group amounted to LTL 129 million.

Net cash flow from investing activities of the Group amounted to LTL 80 million (at the end of the respective period of the preceding year – LTL 63.2 million).

During the reporting period net cash flow of the Group decreased by LTL 5 million, while in the first half of 2008 it increased by LTL 26.7 million. A decrease in the cash flow was significantly affected by a payment of EUR 4.8 million and interest to Eesti Energia AS awarded by the court of arbitration.

Personnel and environmental issues

Personnel

At the end of the first half of 2009, the Group had 1229 employees. The employees of the Company accounted for 73%, the employees of Kauno Energetikos Remontas for 34%, and the employees of Energetikos Pajegos UAB for approx. 1.5% of the total number of employees.

For the purpose of optimising its activities, in the first half of the year the Company continued the reorganisation of its organisational structure. One department was dissolved, one was created. The total number of departments remained the same – 9 departments. After reallocation of activities and functions implemented by departments, internal structures of some departments were also reviewed. Functional subordination of some divisions was changed.

In the first half of 2009, the statistical turnover of employees in the Company was approx. 11%, including dismissals by mutual agreement of the parties and initiated by the employer, termination of fixed-term employment contracts, etc. This indicator was affected by organisational changes in Kruonis PSP. The actual loss of employees when the employment contract was terminated by the employee after s/he had found another job or due to other personal reasons was about 1%.

The Company's office staff represents approx. 66%, and workers 34% of the Company's personnel. More than 55 percent of the personnel have higher education.

Environmental protection

The Company was not fined for any breach of environmental protection requirements.

Preventive measures to ensure safe environment

Calculations of emissions from stationary and mobile pollution sources, stocktaking of taxable packing materials and chemical substances are regularly performed.

Environmental protection requirements are set for the undertaken investment projects, environmental impact assessment is commissioned for the designed electricity transmission lines, and contractors are obligated to handle construction waste.

Waste management

Management of waste generated by the Company was organised by hiring enterprises holding relevant licenses. In the first half of 2009, hazardous waste of reinforced concrete and porcelain insulators, which is used for production of break stone and in road-building, and ferrous scrap metal and non-ferrous scrap metal was handed over for recycling.

Waste water management

Permissible norms established in the permit of integrated prevention and control of stationary sources of pollution and in the Waste Water Management Regulation are constantly monitored. Technical maintenance of rain water and domestic waste water treatment facilities is carried out regularly (regeneration and replacement of filters, removal of silt, etc.) by outsourcing to specialised companies.

References and additional explanations about information contained in the consolidated interim financial statements

Notes to the financial statements for the first half-year of 2009 contain more detailed explanations of financial information.

Important events since the end of the first half-year

On 9 July 2009, Central Project Management Agency (CPVA) signed a memorandum on non-commercial infrastructure project "NordBalt" on behalf of Lietuvos Energija AB consortium with Latvenergo (Latvia) Svenska Kraftnat (Sweden). The project will connect the electric energy markets of the Baltic and Nordic states. The aim of the project planned to complete in spring 2016 is to connect the electricity transmission systems of Lithuania and Sweden, by laying a cable of approximately 350 km through the bottom of the Baltic Sea with the electricity converter stations in both countries. Preliminary value of the project is EUR 516-738 million. On 15 July 2009, the mentioned countries submitted an application to the European Commission for the financing of the "NordBalt"

project. The estimated assistance of the European Union for the project will constitute EUR 175 million. Out of this amount, EUR 44 million should be allocated for strengthening of internal networks of Latvia, and EUR 131 million for the link between Sweden and Lithuania.

On 29 July 2009 the Company approved LTL 3,000 thousand loan for working capital to subsidiary Kauno energetikos remontas UAB and rescheduled repayment of the loan of LTL 1,250 thousand till 31 December 2010.

The Press Service of the President announced that on 30 July 2009, President of the Republic of Lithuania Dalia Grybauskaitė signed the Law on Amending and Supplementing the Law on the Nuclear Power Plant. President Grybauskaitė emphasized that she signed the Law Amending and Supplementing the Law on the Nuclear Power Plant because it empowers the Government to liquidate LEO LT and the transaction itself. Thus the state can itself make decisions favourable to it without the consent of the private partner.

Plans of activities and forecasts of the Group of Companies

The forecast of activities for 2009 was prepared on the assumption that in 2009 the Company will continue the activities pursued in 2008: carry on the activities of transmission system operator and market operator, and export/import of electricity.

The Company has no information about significant risks or contingencies over the next six months

In 2009, the Company plans to allocate LTL 120 million for investments.

The results of activities of Kauno Energetikos Remontas UAB significantly deteriorated over the first six months of this year as the number of orders decreased due to the economic downturn. To increase the company's competitiveness on the market, reorganisation of its organisational structure and management was started as well as optimisation of operational processes. It is expected that performance indicators of this company will start improving following the structural reorganisation of the company at the end of this year/in the beginning of the next year.

Subsidiaries do not plan large investments.

Information about research and development activities of the Group of Companies

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

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

The Company does not own its shares. The subsidiaries do not own the Company's shares either.

Other information about the issuer

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

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

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

The Company has not acquired and transferred its own shares during the reporting period.

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

None.

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

The total number of shareholders as of 30 June 2009 was 5867. As of 30 June 2009, the following shareholders owned more than 5 per cent of authorised capital of Lietuvos Energija AB (LTL 689 515 435 million):

Name	Type of shares	Number of shares in units	Portion of the authorised capital (%)	Portion of votes in the authorised capital (%)
LEO LT, AB Company code 301732248, Žvejų g. 14A, Vilnius	Ordinary registered shares	664700833	96.4012	96.4012

Shareholders holding special rights of control and descriptions of these rights

None.

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

None.

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

None.

Information about affiliates and representative offices of the company

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

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

Changes in the average number of employees on the payroll

In 2007–2009, the Company employed:

	As of 31 December 2007	As of 31 December 2009	As of 30 June 2009
In total	1,130	967	897
among those:			
– power plants	277	273	207
– head office and divisions of the transmission network	853	694	690

Composition of employees by nature of work as of 30 June 2009:

- office staff – 66 per cent
- workers – 34 per cent

Average number and salaries of employees of the Company

	2007		2008		First half-year of 2009	
	Average relative number of employees	Average salary, LTL	Average relative number of employees	Average salary, LTL	Average relative number of employees	Average salary, LTL
Workers	399	2107	374	2318	314	2156
Office staff	699	3412	678	3740	560	3650
Executive personnel	6	19203	5	18186	5	18454
In total	1104	3025	1057	3342	879	3201

Education of the Company's employees by group at the end of the period

	2007	2008	2009
Number of employees	1130	967	897
among those with education:			
higher	579	510	498
non-higher professional	255	327	293
secondary	275	114	95
incomplete secondary	21	16	11

Procedure for modification of the issuer's Articles of Association

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

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

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

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

After the extraordinary general meeting of shareholders held on 4 December 2008, the individuals named below were the members of collegial bodies, head of the Company and Chief Financier.

Position	Name, surname	Inception date	Expiry date	Number of issuer's shares held
Board				
Chairman of the Board	Darius Masionis	04-12-2008	23-06-2009	-
Member of the Board	Mindaugas Jablonskis	04-12-2008	23-06-2009	-
Member of the Board	Vidmantas Grušas	04-12-2008	23-06-2009	-
Member of the Board	Aldona Jakutienė	04-12-2008	2012	-
Administration				
General Director	Darius Masionis	14-07-2008	23-06-2009	-
Chief Financier	Sigitas Baranauskas	27-07-1998	15-05-2009	-
Chief Financier	Tatjana Didikienė	18-05-2009		

After the extraordinary general meeting of shareholders held on 23 June 2009, the individuals named below were the members of collegial bodies, head of the Company and Chief Financier.

Position	Name, surname	Inception date	Expiry date	Number of issuer's shares held
Board				
Chairman of the Board	Aloyzas Koryzna	23-06-2009	2012	-
Member of the Board	Aldona Jakutienė	04-12-2008	2012	-
Member of the Board	Valdas Bancevičius	23-06-2009	2012	552
Member of the Board	Šarūnas Vasiliauskas	23-06-2009	2012	-
Administration				
General Director	Aloyzas Koryzna	23-06-2009		-
Chief Financier	Tatjana Didikienė	18-05-2009		-

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

	Salary (LTL) in January-June 2009*
Per one member of the Board on average	113010
In total to all members of the Board	452038
Per one member of Company's administration on average	235917
In total to all members of Company's administration	471833

*) Including redundancy pays and compensations for unused vacations

All significant agreements to which the issuer is a party and which would come into force, change or cease should the issuer's control change, as well as their impact except for cases when serious damage would be inflicted upon the issuer due to their nature, should the agreements be disclosed.

There are no significant agreements that would come into force, change or cease should the issuer's control change.

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

Agreements on activities of Board members provide for compensations in case of their resignation or laying off in accordance with the following procedure:
1/12 of fixed annual salary, if employment lasted less than 6 months;
2/12 of fixed annual salary, if employment lasted from 6 to 36 months;
3/12 of fixed annual salary, if employment lasted from 36 to 60 months;
4/12 of fixed annual salary, if employment lasted from 60 to 120 months;
5/12 of fixed annual salary, if employment lasted from 120 to 240 months;
6/12 of fixed annual salary, if employment lasted 240 months and more.

Issuers of equity securities have to provide in addition the information about larger transactions of related parties – to specify the amounts of these transactions, nature of relationships of related parties and other information about transactions, which is necessary for understanding the company's financial state, if such transactions are significant or have been concluded not under unusual market conditions. Information about individual transactions may be summarised according to their nature, except for cases when separate information is necessary in order to understand the effect of transactions between the related parties to the company's financial situation. The term "related party" has the same meaning as in the accounting standards applied by the issuer.

There are no such transactions.

Information about compliance with the Corporate Governance Code.

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

During the last six months of 2009, the Company published the following notifications about material events:

25.06.2009 - Lietuvos Energija AB signed an agreement on participation in Lithuania-Sweden power link project
23.06.2009 – Chairman of the Board and Director General of Lietuvos Energija AB - Aloyzas Koryzna
23.06.2009 – Resolutions of the extraordinary general meeting of shareholders of Lietuvos Energija AB
12.06.2009 – Draft resolutions of the convened extraordinary general meeting of shareholders approved
12.06.2009 – Supplemented agenda of the convened extraordinary general meeting of shareholders
10.06.2009 – Supplemented agenda of the convened extraordinary general meeting of shareholders
28.05.2009 – Interim financial statements of Lietuvos Energija AB for thee months of 2009
25.05.2009 – Regarding electricity transmission tariff reduction
22.05.2009 – Regarding information published in the media
21.05.2009 – Extraordinary general meeting of shareholders of Lietuvos Energija AB convened
15.05.2009 – Q1 2009 business results of Lietuvos Energija AB
30.04.2009 – Regarding the press release of LEO LT
30.04.2009 – Resolutions of the general meeting of shareholders of Lietuvos Energija AB
17.04.2009 – Draft resolutions of the general meeting of shareholders of Lietuvos Energija AB approved
10.04.2009 – Management Board of LEO LT, AB elected
03.04.2009 – Supervisory Board of LEO LT, AB elected
27.03.2009 – Credit ratings on Lietuvos Energija AB withdrawn
27.03.2009 – General meeting of shareholders of Lietuvos Energija AB convened
26.03.2009 – Information about resignation of the President of LEO LT, AB
23.03.2009 – Information about resignation of the Chairman of the Board of LEO LT, AB
05.03.2009 - CORRECTION: regarding information published in the media
04.03.2009 – Supplemented interim financial statements of Lietuvos Energija AB for 2008
03.03.2009 – Regarding the ruling of the Constitutional Court of the Republic of Lithuania
02.03.2009 – Preliminary consolidated non-audited business results of the Lietuvos Energija AB Group for 2008
27.02.2009 – Regarding arbitration
10.02.2009 – Regarding electricity sales reduction
13.01.2009 – Regarding information published in the media

All information about material events published during 2009 is available on the website of Vilnius Stock Exchange at www.nasdaqomxbaltic.com/market/?pg=news and the Company's website www.lietuvosenergija.lt.

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

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2009
All amounts in LTL thousand, unless otherwise stated

ASSETS	Note	Group as at 30 June 2009	Company as at 30 June 2009	Group as at 31 December 2008	Company as at 31 December 2008
Non-current assets:					
Intangible assets	4	2,334	2,306	3,149	3,144
Property, plant and equipment	5	2,911,331	2,873,486	3,149,671	3,104,690
Prepayments for property, plant and equipment		23,836	23,842	21,244	21,244
Investment property	6	23,088	40,833	3,919	21,779
Investments in subsidiaries	7	-	18,068	-	18,068
Investments in associates and joint ventures	7	25,561	24,622	25,699	24,760
Accounts receivable	8	566	566	624	624
Other financial assets		29	15	29	15
Total non-current assets		**2,986,745**	**2,983,738**	**3,204,335**	**3,194,324**
Current assets:					
Inventories	9	10,044	3,953	6,010	4,526
Prepayments		8,000	7,508	2,050	1,615
Trade receivables	10	206,629	199,543	136,292	126,640
Other accounts receivable	11	12,387	13,889	17,118	16,773
Other financial assets	12	39,705	39,705	15,994	15,994
Term deposits	13	40,210	40,000	200	-
Cash and cash equivalents	14	65,625	64,675	70,457	69,606
Total current assets		**382,600**	**369,273**	**248,121**	**235,154**
TOTAL ASSETS		**3,369,345**	**3,353,011**	**3,452,456**	**3,429,478**
EQUITY AND LIABILITIES					
Capital and reserves:					
Share capital	15	689,515	689,515	689,515	689,515
Share premium		3	3	3	3
Revaluation reserve		387,580	378,231	492,723	483,230
Legal reserve	16	68,995	68,952	70,794	68,952
Other reserves	17	(63,722)	(63,777)	1,454,530	1,451,571
Retained earnings (deficit)		1,493,350	1,498,061	(17,820)	(11,972)
Foreign currency translation reserve		-	-	(18)	-
Equity attributable to the shareholders of the parent company		**2,575,721**	**2,570,985**	**2,689,727**	**2,681,299**
Minority interest		-	-	1	-
Total equity		**2,575,721**	**2,570,985**	**2,689,728**	**2,681,299**
Non-current liabilities:					
Borrowings	18	13,811	13,811	13,811	13,811
Financial lease liabilities	19	1,648	-	1,894	-
Grants	20	65,045	65,021	66,339	66,309
Deferred income	26	14,680	14,680	14,329	14,329
Other non-current accounts payable and liabilities	21	24,449	24,449	25,597	25,597
Deferred income tax liabilities	22	333,084	330,435	384,359	381,743
Total non-current liabilities		**452,717**	**448,396**	**506,329**	**501,789**
Current liabilities:					
Borrowings	18	487	-	271	-
Bonds issued	23	25,896	25,896	25,896	25,896
Financial lease liabilities	19	473	-	595	-
Trade payables	24	203,493	201,100	158,096	153,589
Advance amounts received		11,788	11,385	1,563	3
Income tax payable		22,723	22,670	10,914	10,911
Provisions	36	8,209	8,209	26,009	26,009
Other accounts payable and liabilities	25	67,838	64,370	33,055	29,982
Total current liabilities		**340,907**	**333,630**	**256,399**	**246,390**
Total liabilities		**793,624**	**782,026**	**762,728**	**748,179**
TOTAL EQUITY AND LIABILITIES		**3,369,345**	**3,353,011**	**3,452,456**	**3,429,478**

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2009
All amounts in LTL thousand, unless otherwise stated

	Note	Group April–June 2009	Company April –June 2009	Group April –June 2008 (restated)	Company April –June 2008 (restated)
Revenue					
Sales revenue	26	395,712	395,712	297,269	297,269
Other operating income	28	11,531	6,694	20,725	6,079
		407,243	**402,406**	**317,994**	**303,348**
Operating expenses					
Purchase of electricity or related services		(250,002)	(250,003)	(168,354)	(168,354)
Purchase of capacity reserve		(25,433)	(25,433)	(24,644)	(24,644)
Transit expenses		(595)	(595)	(1,218)	(1,218)
Depreciation and amortisation		(44,203)	(43,713)	(34,456)	(33,827)
Wages and related expenses		(15,188)	(11,822)	(20,988)	(15,552)
Repair and maintenance expenses		(2,807)	(2,986)	(12,632)	(12,739)
Loss on revaluation of property, plant and equipment		(55,283)	(55,199)	-	-
Other expenses		(8,728)	(6,667)	(21,348)	(12,884)
Total operating expenses		**(402,239)**	**(396,418)**	**(283,640)**	**269,218**
OPERATING PROFIT (LOSS)		**5,004**	**5,988**	**34,354**	**34,130**
Finance income	29	1,927	1,933	333	941
Finance (costs):					
Impairment of investments	7	897	897	79	-
Other finance (costs)	30	1,068	1,120	(607)	(600)
PROFIT (LOSS) BEFORE INCOME TAX		**8,896**	**9,938**	**34,159**	**34,471**
Current year income tax expense	25	(12,634)	(12,610)	(4,181)	(4,083)
Deferred tax income (expense)	25	6,967	6,983	(1,098)	(1,109)
NET PROFIT (LOSS)		**3,229**	**4,311**	**28,880**	**29,279**
Other comprehensive income					
Loss from property, plant and equipment revaluation		(109,509)	(109,509)	-	-
Deferred income tax on loss from property, plant and equipment revaluation		21,902	21,902	-	-
Other comprehensive income, net of tax		(87,607)	(87,607)	-	-
TOTAL COMPREHENSIVE INCOME		**(84,378)**	**(83,296)**	**28,880**	**29,279**
PROFIT (LOSS) ATTRIBUTABLE TO:					
Shareholders of the Company		3,229	4,311	28,880	29,279
Minority interest					
		3,229	**4,311**	**28,880**	**29,279**
TOTAL COMPREHENCIVE INCOME ATTRIBUTABLE TO:		**(84,378)**	**(83,296)**	**28,880**	**29,279**
Shareholders of the Company					
Minority interest					
Basic and diluted earnings (deficit) per share (in LTL)	32	**(0.12)**		**0.04**	

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2009
All amounts in LTL thousand, unless otherwise stated

	Note	Group January–June 2009	Company January–June 2009	Group January–June 2008 (restated)	Company January–June 2008 (restated)
Revenue					
Sales revenue	26	804,656	804,656	633,330	633,330
Other operating income	28	22,705	13,584	43,810	11,723
		827,361	**818,240**	**677,140**	**645,053**
Operating expenses					
Purchase of electricity or related services		(599,741)	(599,741)	(395,702)	(395,702)
Purchase of capacity reserve		(53,307)	(53,307)	(49,038)	(49,038)
Transit expenses		(1,779)	(1,779)	(2,886)	(2,886)
Depreciation and amortisation		(87,853)	(86,876)	(68,508)	(67,542)
Wages and related expenses		(32,981)	(26,101)	(40,810)	(29,865)
Repair and maintenance expenses		(4,598)	(4,785)	(16,507)	(16,598)
Loss on revaluation of property, plant and equipment		(55,283)	(55,199)	-	-
Other expenses		(25,476)	(20,616)	(41,764)	(21,914)
Total operating expenses		**(861,018)**	**(848,404)**	**(615,215)**	**(583,545)**
OPERATING PROFIT (LOSS)		**(33,657)**	**(30,164)**	**61,925**	**61,508**
Finance income	29	3,460	3,441	487	1,055
Finance (costs):					
Impairment of investments	7	(138)	(138)	(606)	(685)
Other finance (costs)	30	(1,012)	(878)	(1,566)	(1,551)
PROFIT (LOSS) BEFORE INCOME TAX		**(31,347)**	**(27,739)**	**60,240**	**60,327**
Current year income tax expense	22	(24,426)	(24,373)	(15,242)	(15,083)
Deferred tax income (expense)	22	29,373	29,405	5,741	5,727
NET PROFIT (LOSS)		**(26,400)**	**(22,707)**	**50,739**	**50,971**
Other comprehensive income					
Loss from property, plant and equipment revaluation	5	(109,509)	(109,509)	-	-
Foreign currency translation		-	-	(2)	-
Deferred income tax on loss from property, plant and equipment revaluation	22	21,902	21,902	-	-
Other comprehensive income, net of tax		(87,607)	(87,607)	**(2)**	-
TOTAL COMPREHENSIVE INCOME		**(114,007)**	**(110,314)**	**50,737**	**50,971**
PROFIT (LOSS) ATTRIBUTABLE TO:					
Shareholders of the Company		(26,400)	(22,707)	50,739	50,971
Minority interest		-	-	-	-
		(26,400)	**(22,707)**	**50,739**	**50,971**
TOTAL COMPREHENCIVE INCOME ATTRIBUTABLE TO:					
Shareholders of the Company		(114,007)	(110,314)	50,737	50,971
Minority interest		-	-	-	-
		(114,007)	**(110,314)**	**50,737**	**50,971**
Basic and diluted earnings (deficit) per share (in LTL)	32	**(0,04)**		**0,07**	

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

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2009
All amounts in LTL thousand, unless otherwise stated

		Equity attributable to the shareholders of the Company									
Group	**Note**	**Share capital**	**Share premium**	**Revaluation reserve**	**Legal reserve**	**Other reserves**	**Retained earnings (deficit)**	**Foreign currency translation reserve**	**Total**	**Minority interest**	**Total equity**
Balance at 31 December 2007		**689,515**	**3**	**-**	**70,730**	**1,404,786**	**47,335**	**(2)**	**2,212,367**	**1**	**2,212,368**
Reserves established		-	-	-	64	51,496	(51,560)	-	-	-	-
Reserves utilised		-	-	-	-	(1,700)	1,700	-	-	-	-
Total comprehensive income		-	-	-	-	-	50,739	(2)	50,737	-	50,737
Balance at 30 June 2008		**689,515**	**3**	**-**	**70,794**	**1,454,582**	**48,214**	**(4)**	**2,263,104**	**1**	**2,263,105**
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**
Transfer into retained earnings (depreciation less deferred tax)		-	-	(17,536)	-		17,536	-	-	-	-
Other transfers between reserves	17				(1,799)	(1,518,252)	1,520,034	18	1	(1)	-
Total comprehensive income		-	-	(87,607)	-	-	(26,400)	-	(114,007)	-	(114,007)
Balance at 30 June 2009		**689,515**	**3**	**387,580**	**68,995**	**(63,722)**	**1,493,350**	**-**	**2,575,721**	**-**	**2,575,721**

(Continued to the next page)

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2009
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 2007		**689,515**	**3**	**-**	**68,952**	**1,402,660**	**48,911**	**2,210,041**
Reserves established		-	-	-	-	50,611	(50,611)	-
Reserves utilised		-	-	-	-	(1,700)	1,700	-
Total comprehensive income		-	-	-	-	-	50,971	50,971
Balance at 30 June 2008		**689,515**	**3**	**-**	**68,952**	**1,451,571**	**50,971**	**2,261,012**
Balance at 31 December 2008		**689,515**	**3**	**483,230**	**68,952**	**1,451,571**	**(11,972)**	**2,681,299**
Transfer into retained earnings (depreciation less deferred tax)		-	-	(17,392)	-	-	17,392	-
Other transfers between reserves	17	-	-	-	-	(1,515,348)	1,515,348	-
Total comprehensive income		-	-	(87,607)		-	(22,707)	(110,314)
Balance at 30 June 2009		**689,515**	**3**	**378,231**	**68,952**	**(63,777)**	**1,498,061**	**2,570,985**

(end)

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

LIETUVOS ENERGIJA AB
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STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2009
All amounts in LTL thousand, unless otherwise stated

	Note	Group as at 30 June 2009	Company as at 30 June 2009	Group as at 30 June 2008 (restated)	Company as at 30 June 2008 (restated)
Net profit (loss)		**(26,400)**	**(22,707)**	**50,739**	**50,971**
Reversal of non-monetary expenses (income) and other adjustments					
Depreciation and amortisation expenses	4,5,6	89,269	88,159	69,361	68,351
(Income) from grants and connection of new users	21,26	(1,608)	(1,602)	(1,182)	(1,171)
Change in deferred tax liability	22	(29,373)	(29,405)	(5,741)	(5,726)
(Reversal) of impairment charge on assets		574	574	(1,763)	(1,763)
Loss on property, plant and equipment revaluation		55,284	55,199	-	-
Income tax expense	22	24,426	24,373	15,242	15,082
Loss on disposal/write-off of non-current assets (except financial assets)		349	313	749	748
Elimination of results of financing and investing activity:					
- Dividends		-	-	-	(633)
- Effect of changes in foreign exchange rates, net		16	8	(22)	(19)
- Financing expenses		913	848	1,500	1,492
- Financing (income)		(3,311)	(3,296)	(417)	(379)
- Other finance (income) costs		1,739	1,684	(45)	34
Changes in working capital					
Decrease (increase) in inventories		1,689	413	556	(769)
Decrease (increase) in prepayments		(5,726)	(5,894)	(535)	413
(Increase) in trade receivables		(112,794)	(115,365)	(787)	(3,444)
(Increase) decrease in other receivables		44,774	45,127	(5,023)	(5,278)
(increase) decrease in other current assets		(137)	-	2,286	2,402
Increase (decrease) in current trade payables and advance amounts received		(7,015)	(5,403)	1,239	6,125
Increase (decrease) in employment-related liabilities		541	877	2,118	2,148
Increase in other accounts payable		52,819	53,187	9,534	10,505
Interest received		2,596	2,589	448	420
Interest (paid)		(621)	(526)	(1,042)	(1,035)
Income tax (paid)		(12,660)	(12,613)	(8,161)	(8,013)
Net cash flows from operating activities		***75,344***	***76,540***	***129,054***	***130,461***
Cash flows from investing activities					
Purchase of property, plant and equipment (PP&E) and intangible assets		(16,555)	(16,453)	(63,808)	(63,596)
Proceeds from sale of PP&E and intangible assets		-	-	4	-
Loans (granted)		-	(1,495)	-	-
Loans repaid		-	-	1,524	1,524
Term deposits		(39,950)	(40,000)	100	-
(Acquisition) of other debt securities	12	(39,705)	(39,705)	-	-
Proceeds from disposal of debt securities	12	15,994	15,994		
(Acquisition) of investments		-	-	(1,020)	(1,020)
Dividends received		-	-	-	633
Net cash flows from investing activities		***(80,216)***	***(81,659)***	***(63,200)***	***(62,459)***
Cash flows from financing activities					
Proceeds from borrowings		220	-	24,066	24,066
(Repayment) of borrowings		-	-	(63,058)	(63,058)
Finance lease (payments)		(368)	-	(125)	-
Dividends (paid)		(12)	(12)	(45)	(45)
Other cash flows from financing activities		200	200	(34)	(34)
Net cash flows from financing activities		***40***	***188***	***(39,196)***	***(39,071)***
Net increase (decrease) in cash flows		**(4,832)**	**(4,931)**	**26,658**	**28,931**
Cash and cash equivalents at beginning of period		**70,457**	**69,606**	**18,468**	**14,566**
Cash and cash equivalents at end of period		**65,625**	**64,675**	**45,126**	**43,497**

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

1 General information

AB Lietuvos Energija is a public company registered in the Republic of Lithuania. The address of its registered office is Žvejų g. 14, LT-09310, Vilnius, Lithuania. AB Lietuvos Energija (hereinafter referred to as the "Company") is a limited liability profit-making entity, registered 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.

The share capital of the Company did not change in 2009 and 2008, and as at 30 June 2009 amounted to LTL 689,515,435 and was divided into 689,515,435 ordinary registered shares with the nominal value of LTL 1 each. All the shares are fully paid. The shares of the Company are traded on the current trading list of Vilnius Stock Exchange. The Company did not hold own shares in 2009 and 2008.

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. The main shareholder of the Company is LEO LT, AB, owning 96.4012 per cent of the Company's shares as at 30 June 2009. The remaining 3.5988 per cent of the Company's shares are held by other shareholders.

The core activities of the Company in 2009 just like in 2008 included the transmission system operator, market operator, electricity production and electricity export. Apart from these key activities, the Company is entitled to carry out any other business activities that are not prohibited by the Lithuanian law and are specified in the Articles of Association of the Company.

Licensed activities or activities that require permits can be carried out only after obtaining the appropriate licenses or permits. On 22 March 2002, the Company obtained a licence for energy transmission, which is valid for an unlimited period (unless it is suspended or cancelled). Apart from this licence, the Company has permits of unlimited validity to engage in the production, import and export of electricity.

As at 30 June 2009, the Company had two branches, Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, operating according to the regulations approved by the Board of the Company. As described in Note 34, according to the agreement signed by LEO LT, AB shareholders, Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant have to be transferred to the state of Lithuania at a symbolic price of 1 LTL by 27 May 2010.

As at the date of issue of these interim financial statements the Company directly participated (controlled or had significant influence) in the management of the following companies: Nordic Energy Link AS (Estonia), Energetikos Pajėgos UAB (Lithuania), Geoterma UAB (Lithuania), Kruonio Investicijos UAB (Lithuania) and Kauno Energetikos Remontas UAB (Lithuania). Indirectly, through Kauno Energetikos Remontas UAB, the Company had majority of votes in Gotlitas UAB (Lithuania) and until 2 June 2009 - Kaliningradski Energoremont OOO (Russia), when the shares Kaliningradski Energoremont OOO were disposed and had significant influence in Enmašas UAB (Lithuania). In addition as at 30 June 2009 the Company jointly controls LitPol Link Sp.z.o.o (Poland), which was established on 8 August 2008. For more detail information of associates and joint ventures, see Note 7.

The consolidated interim financial statements of Lietuvos Energija AB and its subsidiaries and the separate interim financial statements of Lietuvos Energija AB as a parent company are presented in these interim financial statements. As at 30 June 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 as at 30 June 2009	Share capital of the subsidiary as at 30 June 2009	Profit (loss) for first half of 2009	Equity as at 30 June 2009	Principal activities
Energetikos Pajėgos UAB	T.Masiulio g. 16D, Kaunas, Lithuania	100%	430	213	806	Designing of energy facilities
Kauno energetikos remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100%	31,341	(3,556)	31,854	Repair of energy equipment, production of metal structures
Kruonio investicijos UAB	Kruonio IIk., Kaišiadorys district, Lithuania	100%	2,361	(108)	1,646	Development of public and recreational facilities
Gotlitas UAB	R.Kalantos g. 119, Kaunas, Lithuania	100%	1,450	(21)	2,030	Accommodation services, trade

As at 30 June 2009, the number of employees of the Group was 1,230 (31 December 2008: 1,409). As at 30 June 2009, the number of employees of the Company was 897 (31 December 2008: 967).

2 *Accounting policies*

The principal accounting policies adopted in the preparation of the Group's and the Company's interim financial statements for the first half of 2009 are as follows:

2.1 Basis of preparation

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (the "EU") applicable to interim financial reporting (IAS 34 Interim financial reporting).

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

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

2.2 Change of accounting policies

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

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

The Group/the Company have adopted the following new and amended IFRS and IFRIC interpretations during the current period:

- ***IAS 1, Presentation of Financial Statements*** (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group and Company changed the presentation of its financial statements but it had no impact on the recognition or measurement of specific transactions and balances.

- ***IFRS 8, Operating Segments*** (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The change in Group's segment disclosures in the financial statements are described in Note 27.

- ***IAS 23, Borrowing Costs*** (effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. This amendment does not change the current policy of expensing borrowing costs, as the Group's and Company's property, plant and equipment (except the Hydro Power Plant and the Pumped Storage Power Plant) is accounted for using revaluation method.

- ***Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment*** (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. This amendment is not applicable to the Company's and Group's financial statements.

- ***Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment*** (effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment is not applicable to the Company's and Group's financial statements.

- ***Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment*** (effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. This amendment is not applicable to the Company's and Group's financial statements.

2 Accounting policies (continued)

2.2 Change of accounting policy (continued)

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

- ***IFRIC 13, Customer Loyalty Programmes*** (effective for annual periods beginning on or after 1 July 2008 for financial statements prepared under IFRS; adopted by the EU with an effective date postponed to annual periods beginning after 31 December 2008; early adoption permitted). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This interpretation is not applicable to the Company's and Group's financial statements.

- **IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.** (IFRIC 14 as adopted by the EU is effective for annual periods beginning on or after 31 December 2008, with early adoption permitted). The interpretation contains guidance on when refunds or reductions in future contributions may be regarded as available for the purposes of the asset ceiling test in IAS 19, Employee Benefits. The interpretation does not have any significant effect on the Company's and Group's financial statements.

- **Improvements to International Financial Reporting Standards** (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. None of the amendments had material effect on the Group's and Company's financial statements.

b) Change of accounting for property, plant and equipment

In order to ensure that all the companies of the LEO LT, AB Group apply the same accounting policies, in December 2008 management decided to change its accounting policy for all groups of property, plant and equipment (except the Hydro Power Plant and the Pumped Storage Power Plant, which are planned to be separated from the Company as described in Note 34): the acquisition cost accounting method was replaced with the revaluation method.

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

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

2 *Accounting policies (continued)*

2.2 Change of accounting policy (continued)

b) Change of accounting for property, plant and equipment (continued)

Group

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

Company

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

c) *Change of accounting for expenses for public service obligation services:*

In 2008 interim financial statements the expenses for public service obligation services (Note 2.22) were accrued equally every month during the year. In 2009 the principle for monthly accruing expenses for public service obligation services was changed. Since the expenses for public service obligation services are incurred when electricity is purchased, the management considered that it is more accurate accruing monthly expenses for public service obligation services during the year based on actual quantity of electricity purchased. This change will have no impact to the annual financial statements. The effect of the change on the statement of comprehensive income for the period ended 30 June 2008 was as follows:

	Amount before change of accounting policy	Effect of change of accounting policy	Amount reported in financial statements as at 30 June 2008
Group			
Purchase of electricity or related services	(383,407)	(12,295)	(395,702)
Deferred tax income (expenses)	3,896	1,845	5,741
Net profit (loss)	61,189	(10,450)	50,739
Company			
Purchase of electricity or related services	(383,407)	(12,295)	(395,702)
Deferred tax income (expenses)	3,882	1,845	5,727
Net profit (loss)	61,421	(10,450)	50,971

2. *Accounting policies (continued)*

2.3 Standards, interpretations and amendments not yet effective and not early adopted by the Group and the Company

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

- ***IAS 27, Consolidated and Separate Financial Statements*** (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require 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 current standard requires 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 will have to be measured at its fair value. The Company and Group do not expect the amended standard to have a material effect on its financial statements.

- ***IFRS 3, Business Combinations*** (revised 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. The Group and Company is currently assessing the impact of the amended standard on its financial statements.

- **IFRIC 12, Service Concession Arrangements** (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009, with early adoption permitted).The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. Application of IFRIC 12 will not have any impact on the Company's and Group's financial statements because it is not subject to any service concession arrangements.

- **IFRIC 15, Agreements for the Construction of Real Estate** (effective for annual periods beginning on or after 1 January 2009; not yet adopted by the EU). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. IFRIC 15 is not relevant to the Group's and Company's operations because it does not have any agreements for the construction of real estate.

- ***IFRIC 16, Hedges of a Net Investment in a Foreign Operation*** (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, with early adoption permitted). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 does not have any impact on these financial statements as the Group and Company do not apply hedge accounting.

- ***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; not yet adopted by the EU). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have any impact on the Group's and Company's financial statements as hedge accounting is not applied.

- ***IFRIC 17, Distribution of Non-Cash Assets to Owners*** (effective for annual periods beginning on or after 1 July 2009; not yet adopted by the EU). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. The Group and Company is currently assessing the impact of the new interpretation on its financial statements.

2. *Accounting policies (continued)*

2.3 Standards, interpretations and amendments not yet effective and not early adopted by the Group and the Company
(continued)

- ***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; not yet adopted by the EU). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Group and Company concluded that the revised standard does not have any effect on its financial statements.

- ***IFRIC 18, Transfers of Assets from Customers*** (effective for annual periods beginning on or after 1 July 2009; not yet adopted by the EU). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. The Group and Company is currently assessing the impact of the new interpretation on its financial statements.

- ***Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures*** (effective for annual periods beginning on or after 1 January 2009; not yet adopted by the EU). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The Group and Company is currently assessing the impact of the amendment on disclosures in its financial statements.

- ***Embedded Derivatives - Amendments to IFRIC 9 and IAS 39*** (effective for annual periods ending on or after 30 June 2009; not yet adopted by the EU). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. This amendment is not relevant to the Company and Group.

- ***Improvements to International Financial Reporting Standards*** (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group and Company is currently assessing the impact of the amendments on its financial statements.

- ***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, not yet adopted by the EU). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Group and Company is currently assessing the impact of the amendments on its financial statements.

2 *Accounting policies (continued)*

2.4 Consolidation principles

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

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

Minority interest in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interest consists of the amount of the interest at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses attributable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

2.5 Business combinations

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

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

2.6 Investments in subsidiaries (the Company)

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

2.7 Investments in associates and joint ventures

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

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate/joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

2. *Accounting policies (continued)*

2.7 Investments in associates and joint ventures (continued)

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

2.8 Property, plant and equipment and intangible assets

Property, plant and equipment

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

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

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

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

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

Intangible assets

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

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

2 *Accounting policies (continued)*

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

Depreciation and amortisation

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

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

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 (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 power transformers	35
Relay security and automation equipment	15 - 35
Technological and dispatcher control equipment	8

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

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

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

2 *Accounting policies (continued)*

2.9 Impairment of property, plant and equipment and intangible assets

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

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

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease of revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (without exceeding the sum of previous value impairment) as described in Note 2.8.

2.10 Investment property

Investment property of the Group/Company, which consists of investments in buildings held to earn rental revenue or expecting increase in their value, initially is recognised at acquisition cost, including transaction costs. Subsequently all investment property is carried at cost less accumulated depreciation and impairment loss.

Transfers to and from investment property are made only when there is an evidence of change in an asset's use.

2.11 Non-current assets held for sale

Non-current assets are classified as assets held for sales 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 of their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.12 Financial assets

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

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

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

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

2 *Accounting policies (continued)*

2.12 Financial assets (continued)

Held-to-maturity financial assets.

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

Loans and receivables

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

Effective interest rate method

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

Impairment of financial assets

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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 *Accounting policies (continued)*

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 using the first-in, first-out (FIFO) method. Net realisable value is the selling price, less the estimated costs of completion, marketing and selling expenses.

2.14 Cash and cash equivalents

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

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

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

Recognition of instruments as debt or equity instruments

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

Equity instruments

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

Financial liabilities

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

Other financial obligations

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 2.11).

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

Derecognition of financial liabilities

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

2.16 Foreign currency

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

2 *Accounting policies (continued)*

2.16 Foreign currency (continued)

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 30 June 2009			At 31 December 2008		
1 LVL	=	4.9381 LTL	1 LVL	=	4.8872 LTL
100 RUB	=	7,8771 LTL	100 RUB	=	8.3337 LTL
10 SEK	=	3.1486 LTL	10 SEK	=	3.1505 LTL
1 USD	=	2.4643 LTL	1 USD	=	2.4507 LTL
10 EEK	=	2.2067 LTL	10 EEK	=	2.2067 LTL

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

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

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

2.17 Grants

Asset-related grants

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

Income-related grants

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

2.18 Provisions

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

Provisions for pension payments

Each employee is entitled to 2 months salary payment when 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 payment. The liability is recognised at present value discounted using market interest rate.

2 *Accounting policies (continued)*

2.19 Employee benefits

(a) Social security contributions

The Company and the Group pays 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 plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

(b) Termination benefits

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

(c) Bonus plans

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

2.20 Accounting for lease

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

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

The Group and the Company as a lessor

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

The Group and the Company as a lessee

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

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term.

2.21 Segment reporting

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

2.22 Revenue 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:

2 *Accounting policies (continued)*

2.22 Revenue and expense recognition (continued)

Revenue from sales of electricity

Revenue from 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.

Revenue from electricity-related services

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

Tariff regulation

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

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

Tariffs for imported and exported electricity are not regulated.

Under the PSO service arrangements, the Company and Group both earns revenue and incurs expenses. Following the regulations, PSO service funds are the cost paid to the suppliers of electricity under public service obligations scheme (based on approved annual electricity quantities and prices). These costs are then recharged at tariff regulated by the Commission to the users of the electricity and operators of the supply network. If at the end of the calendar year funds collected by the Company from the users of the electricity and operators of the supply networks for public service obligations related services exceed or were less than the actual payments for PSO to the suppliers, 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 respective regulatory assets or liabilities are not recorded in the financial statements.

Under capacity reservation agreements, the Company and Group purchases capacity reserve service from suppliers of electricity and then recharges the service at tarrif regulated by the Commission to the users of the electricity and operators of the supply network.

Connection of new users

Payments received for the connection of the new users initially are 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.

Repair service revenue

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

Other income

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

Dividend income is recognised after the shareholders' rights to receive payment have been established. Received dividends are recorded in the cash flow statement as the cash flows from investments. 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 Accounting policies (continued)

2.23 Financing expenses

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

2.24 Income tax

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

Income tax

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

Deferred income tax

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

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

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

Income tax and deferred tax for the accounting period

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

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

2.25 Earnings per share

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

As at 30 June 2009 and in 2008, the weighted average number of shares, based on which the earnings per share are calculated was 689,515,435. As at 30 June 2009 and 31 December 2008 as well as during the periods ending at these dates, the Company had no dilutive options outstanding, therefore, basic and diluted earnings per share do not differ.

2 *Accounting policies (continued)*

2.26 Contingencies

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

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

2.27 Post-balance sheet events

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

2.28 Related parties

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

2.29 Offsetting figures

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 Comparative figures

When preparing the interim financial statements, in the Group's and the Company's statements of financial position LTL 21,244 thousand prepayments for property, plant and equipment were reclassified from property plant and equipment to prepayments for property, plant and equipment to conform the presentation of the comparative information with the interim financial statements as of 30 June 2009.

3 *Significant accounting estimates and judgments*

The preparation of interim financial statements according to International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. The areas where estimates are significant to these interim financial statements include fair value evaluation and depreciation of property, plant and equipment and investment property (Notes 2.2, 2.8, 5 and 6), evaluation of impairment for accounts receivable and investments (Notes 2.12, 7, 10 and 11), percentage of completion evaluation for repair service contracts (Notes 2.22 and 28), evaluation of provisions (Notes 2.18 and 21), and disclosure of contingent liabilities (Note 34). 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 interim financial statements when determined.

Recent volatility in global financial markets.

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

Depreciation rates of property, plant and equipment

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

3 Significant accounting estimates and judgments (continued)

Valuation of property, plant and equipment and investment property

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

Management has updated the carrying value of property, plant and equipment measured in accordance with the revaluation model as at 30 June 2009. As at 30 June 2009 the carrying value of property, plant and equipment was decreased using the construction cost indexes announced by the Statistics Department of the Republic of Lithuania for the relative groups of property, plant and equipment (note 5). The Group and the Company for buildings group applied 9,3% statistical index and for all other groups of property, plant and equipment – 7.4% index. No independent valuations were performed as at 30 June 2009. As at 30 December 2009 the Group and Company plans to fully update the valuation of property, plant and equipment.

Impairment of property, plant and equipment

The Group and the Company makes 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 makes an impairment test in accordance with the accounting policy set out in Note 2. Based on the assessment of the management, as at 31 December 2008 there were no indications that property, plant and equipment are impaired, except for those of the subsidiary Kauno Energetikos Remontas UAB, which incurred losses and significant decline in the volume of operations. The recoverable value of non-current assets of Kauno Energetikos Remontas UAB was determined by management by estimating the probable realisable value of property plant and equipment as at 31 December 2008 and the respective impairment charge of LTL 9,320 thousand was recorded in the Group's statement of comprehensive income. For the contingency in respect of determination of the value of property, plant and equipment used in the licensed activities as at 30 June 2009 see Note 34.

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

Since the shares of the subsidiaries and associated entities are not listed, the Group/Company estimated the recoverable value of these investments based on the carrying value of the Group's/Company's share of the subsidiary's/associate's net assets, which approximates its fair value as at 31 December 2008 based on the judgement of management, except for the investment in subsidiary Kauno Energetikos Remontas UAB, which incurred losses and significant decline in the volume of operations. The recoverable amount of this investment was estimated by the Company based on the expected net assets realisable value considering each balance sheet item separately. The estimated realisable values vary from 75% to 100% from the respective net assets items carrying amounts. No observable market data was used in this estimate. No additional impairment of investments in subsidiaries was accounted for as at 30 June 2009.

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

As at the date of these interim financial statements, there was no significant risk that the book value of assets and liabilities will be subject to important corrections in the next accounting year due to changes in management's assumptions and estimates, except for (a) the adjustments which might be needed if the estimates and judgments related to the uncertainty arising from commitment to transfer Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant to the Government as stated in the agreement signed by LEO LT, AB shareholders, as described in Note 34, are changed, and (b) the adjustments which might be needed if the estimates of management of the fair value of non-current tangible assets of Kauno Energetikos Remontas UAB, as described in paragraph "Impairment of property, plant and equipment" above, are changed and (c) the adjustments which might be needed in respect of the uncertainty arising from contingency in respect of determination of the value of property, plant and equipment used in the licensed activities as at 30 June 2009, as decribed in Note 34.

4 *Intangible assets*

The structure of the Group's intangible assets as at 30 June 2009 and 31 December 2008 is as follows:

Group	Patents and licences	Software	Other intangible assets	Total
At 31 December 2007				
Acquisition cost	2,337	17,634	36	20,007
Accumulated amortisation	(1,714)	(13,173)	(15)	(14,902)
Net book value at 31 December 2007	**623**	**4,461**	**21**	**5,105**
Period ended 30 June 2008				
Opening net book amount	623	4,461	21	5,105
Additions	-	126	-	126
Amortisation charge	(255)	(1,042)	(3)	(1,300)
Net book value at 30 June 2008	**368**	**3,545**	**18**	**3,931**
At 30 June 2008				
Acquisition cost	2,337	17,740	36	20,113
Accumulated amortisation	(1,969)	(14,195)	(18)	(16,182)
Net book value at 30 June 2008	**368**	**3,545**	**18**	**3,931**
At 31 December 2008				
Acquisition cost	2,358	18,100	36	20,494
Accumulated amortisation	(2,222)	(14,997)	(21)	(17,240)
Accumulated impairment	-	(105)	-	(105)
Net book value at 31 December 2008	**136**	**2,998**	**15**	**3,149**
Period ended 30 June 2009				
Opening net book amount	**136**	**2,998**	**15**	**3,149**
Additions	-	43	-	43
Amortisation charge	(121)	(731)	(6)	(858)
Net book value at 30 June 2009	**15**	**2,310**	**9**	**2,334**
At 30 June 2009				
Acquisition cost	2,358	17,587	36	19,981
Accumulated amortisation	(2,343)	(15,172)	(27)	(17,542)
Accumulated impairment	-	(105)	-	(105)
Net book value at 30 June 2009	**15**	**2,310**	**9**	**2,334**

The structure of the Company's intangible assets as at 30 June 2009 and 31 December 2008 is as follows:

Company	Patents and licences	Software	Other intangible assets	Total
At 31 December 2007				
Acquisition cost	2,277	17,501	-	19,778
Accumulated amortisation	(1,667)	(13,108)	-	(14,775)
Net book value at 31 December 2007	**610**	**4,393**	**-**	**5,003**
Period ended 30 June 2008				
Opening net book amount	610	4,393	-	5,003
Additions	-	125	-	125
Amortisation charge	(247)	(1,026)	-	(1,273)
Net book value at 30 June 2008	**363**	**3,492**	**-**	**3,855**
At 30 June 2008				
Acquisition cost	2,277	17,606	-	19,883
Accumulated amortisation	(1,914)	(14,114)	-	(16,028)
Net book value at 30 June 2008	**363**	**3,492**	**-**	**3,855**
At 31 December 2008				
Acquisition cost	2,277	17,941	-	20,218
Accumulated amortisation	(2,159)	(14,915)	-	(17,074)
Net book value at 31 December 2008	**118**	**3,026**	**-**	**3,144**
Period ended 30 June 2009				
Opening net book amount	**118**	**3,026**	**-**	**3,144**
Additions	-	-	-	-
Amortisation charge	(118)	(720)	-	(838)
Net book value at 30 June 2009	**-**	**2,306**	**-**	**2,306**
Acquisition cost	2,277	17,243	-	19,520
Accumulated amortisation	(2,277)	(14,937)	-	(17,214)
Net book value at 30 June 2009	**-**	**2,306**	**-**	**2,306**

4 Intangible assets (continued)

Acquisition cost of the Group's and the Company's intangible assets, which were fully amortised but still in use as at 30 June 2009 and 31 December 2008, is as follows:

Category of intangible assets	Group at 30 June 2009	Company at 30 June 2009	Group at 31 December 2008	Company at 31 December 2008
Patents and licenses	2,046	2,046	817	817
Computer software	12,106	12,060	12,628	12,583
Total	**14,152**	**14,106**	**13,445**	**13,400**

5 Property, plant and equipment

The structure of the Group's property, plant and equipment as at 30 June 2009 and 31 December 2008 is as follows:

Group	Land	Buildings	Structures and machinery	Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 December 2007								
Acquisition cost	84	153,967	2,110,616	592,794	24,893	138,693	122,232	3,143,279
Accumulated depreciation	-	(20,829)	(419,252)	(72,866)	(14,796)	(72,087)	-	(599,830)
Accumulated impairment	-	(145)	(1,235)	(369)	-	(728)	-	(2,477)
Net book value	**84**	**132,993**	**1,690,129**	**519,559**	**10,097**	**65,878**	**122,232**	**2,540,972**
Period ended 30 June 2008								
Opening net book amount	84	132,993	1,690,129	519,559	10,097	65,878	122,232	2,540,972
Additions	35	217	1,136	30,160	822	3,006	34,959	70,335
Write-offs	-		(879)	-	(34)	(3)	-	(916)
Reclassification	-	748	32,214	-	-	2,647	(35,609)	-
Depreciation charge	-	(1,650)	(47,037)	(9,394)	(1,579)	(8,413)	-	(68,073)
Net book value	**119**	**132,308**	**1,675,563**	**540,325**	**9,306**	**63,115**	**121,582**	**2,542,318**
At 30 June 2008								
Acquisition cost	119	154,932	2,143,087	622,954	25,681	144,343	121,582	3,212,698
Accumulated depreciation	-	(22,479)	(466,289)	(82,260)	(16,375)	(80,500)	-	(667,903)
Accumulated impairment	-	(145)	(1,235)	(369)	-	(728)	-	(2,477)
Net book value	**119**	**132,308**	**1,675,563**	**540,325**	**9,306**	**63,115**	**121,582**	**2,542,318**

5 *Property, plant and equipment (continued)*

Group	Land	Buildings	Structures and machinery	Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 December 2008								
Cost or revaluated amount	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 value	**286**	**192,921**	**2,182,534**	**555,625**	**9,596**	**62,507**	**146,202**	**3,149,671**
Period ended 30 June 2009								
Opening net book amount	286	192,921	2,182,534	555,625	9,596	62,507	146,202	3,149,671
Additions	-	63	109	8,533	-	7,189	24,364	40,258
Revaluation	-	(14,913)	(146,972)	-	-	-	(2,907)	(164,792)
Disposals	-	-	-	-	-	(2)	-	(2)
Write-offs		-	(350)	(140)	(29)	(11)	-	(530)
Reversal of impairment	-	-	-	183	-	-	-	183
Transfer to inventory		(4,619)	-	-	-	(1,258)	-	(5,877)
Reclassification	-	5,908	94,970	-	-	8,548	(109,426)	-
Reclassification to investment property		(19,216)	-	-	-	-	-	(19,216)
Depreciation charge	-	(2,548)	(63,863)	(11,149)	(1,494)	(9,310)	-	(88,364)
Net book value	**286**	**157,596**	**2,066,428**	**553,052**	**8,073**	**67,663**	**58,233**	**2,911,331**
At 30 June 2009				-				
Cost or revaluated amount	286	164,625	2,134,304	657,286	9,567	77,701	58,233	3,102,002
Accumulated depreciation	-	(2,548)	(63,863)	(103,279)	(1,494)	(9,310)	-	(180,494)
Accumulated impairment	-	(4,481)	(4,013)	(955)	-	(728)	-	(10,177)
Net book value	**286**	**157,596**	**2,066,428**	**553,052**	**8,073**	**67,663**	**58,233**	**2,911,331**

As described in Note 3, the plant and equipment of the Group, except Hydro Power Plant and Pumped Storage Power Plant assets, has been revalued as of 30 June 2009. The total effect of revaluation amounting to LTL 164,792 thousand was accounted as follows: LTL 109,509 thousand increase in value was accounted in revaluation reserve net of LTL 21,902 thousand deferred tax, and LTL 55,283 thousand decrease in value was accounted as loss on property, plant and equipment revaluation in the consolidated statement of comprehensive income.

As at 30 June 2009 the Group reclassified from buildings and other PP&E groups assets amounting to LTL 5,877 thousand, net of impairment charge of LTL 2,205 thousand, to inventories (Note 9).

The structure of the Company's property, plant and equipment as at 30 June 2009 and 31 December 2008 is as follows:

Company	Land	Buildings	Structures and machinery	Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
As 31 December 2007								
Acquisition cost	84	127,324	2,101,368	592,794	22,508	137,912	122,925	3,104,915
Accumulated depreciation	-	(18,837)	(415,860)	(72,866)	(13,917)	(71,674)	-	(593,154)
Accumulated impairment	-	(145)	(1,224)	(369)	-	(728)	-	(2,466)
Net book value	**84**	**108,342**	**1,684,284**	**519,559**	**8,591**	**65,510**	**122,925**	**2,509,295**

5 *Property, plant and equipment (continued)*

Company	Land	Buildings	Struc-tures and machi-nery	Hydro Power Plant and Pumped Storage Power Plant	Motor vehicles	Other PP&E	Constru-ction in progress	Total
Period ended 30 June 2008								
Opening net book amount	84	108,342	1,684,284	519,559	8,591	65,510	122,925	2,509,295
Additions	35	-	831	30,160	770	2,992	35,027	69,815
Write-offs	-	-	(874)	-	(34)	(3)	-	(911)
Reclassification	-	748	33,819	-	-	2,647	(37,214)	-
Depreciation charge	-	(1,382)	(46,464)	(9,394)	(1,422)	(8,380)	-	(67,042)
Net book value	**119**	**107,708**	**1,671,596**	**540,325**	**7,905**	**62,766**	**120,738**	**2,511,157**
At 30 June 2008								
Acquisition cost	119	128,073	2,134,010	622,954	23,196	143,377	120,738	3,172,467
Accumulated depreciation	-	(20,220)	(461,190)	(82,260)	(15,291)	(79,883)	-	(658,844)
Accumulated impairment	-	(145)	(1,224)	(369)	-	(728)	-	(2,466)
Net book value	**119**	**107,708**	**1,671,596**	**540,325**	**7,905**	**62,766**	**120,738**	**2,511,157**
At 31 December 2008								
Cost or revaluated amount	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 value	**286**	**156,259**	**2,175,920**	**555,625**	**8,343**	**61,918**	**146,339**	**3,104,690**
Period ended 30 June 2009								
Opening net book amount	286	156,259	2,175,920	555,625	8,343	61,918	146,339	3,104,690
Additions	-	-	47	8,533	-	7,154	24,458	40,192
Disposals	-	-	-	-	-	(2)	-	(2)
Write-offs		-	(346)	(140)	-	(8)	-	(494)
Reversal of impairment				183				183
Revaluation	-	(14,829)	(146,972)	-	-	-	(2,907)	(164,708)
Reclassification		5,908	94,970			8,548	(109,426)	-
Transfer to investment property		(19,216)	-	-	-	-	-	(19, 216)
Depreciation charge	-	(2,150)	(63,267)	(11,149)	(1,334)	(9,259)	-	(87,159)
Net book value	**286**	**125,972**	**2,060,352**	**553,052**	**7,009**	**68,351**	**58,464**	**2,873,486**
At 30 June 2009								
Cost or revaluated amount	286	128,267	2,124,828	657,286	8,343	78,333	58,464	3,055,807
Accumulated depreciation	-	(2,150)	(63,252)	(103,279)	(1,334)	(9,254)	-	(179,269)
Accumulated impairment	-	(145)	(1,224)	(955)	-	(728)	-	(3,052)
Net book value	**286**	**125,972**	**2,060,352**	**553,052**	**7,009**	**68,351**	**58,464**	**2,873,486**

As described in Note 3, the property, plant and equipment of the Company, except Hydro Power Plant and Pumped Storage Power Plant assets, has been revalued as of 30 June 2009. The total effect of revaluation amounting to LTL 164,708 thousand was accounted as follows: LTL 109,509 thousand increase in value was accounted in revaluation reserve net of LTL 21,902 thousand deferred tax, and LTL 55,199 thousand decrease in value was accounted as loss on property, plant and equipment revaluation in the statement of comprehensive income

The key investment projects completed by the Company in the first half of 2009 are as follows:

Project	Value, LTL thousand
Reconstruction of 330/110/10kV Vilnius transformer substation	86,747
Reconstruction of 110/10kV Noreikiškiai transformer substation	5,240
Construction of 110kV switchgear at 110/10kV Šventininkai transformer substation	4,257
Reconstruction of 110/10kV *Migla* transformer substation	4,153
IT and Telecommunications Centre's commercial facilities, modernisation of data centre infrastructure	2,207
Construction of 110kV Sūdėnai switchgear	1,913
Reconstruction of 110/35/10kV Molėtai transformer substation	1,279

5 Property, plant and equipment (continued)

Net book amounts of property, plant and equipment acquired by the Group under financial lease contracts as at 30 June 2009 and 31 December 2008 are as follows:

Category of PP&E	At 30 June 2009	At 31 December 2008
Plant and machinery	3,804	4,301
Motor vehicles	103	100
Total	**3,907**	**4,401**

The Group/Company has significant contractual obligations to purchase non-current tangible assets, which have to be fulfilled in later periods. The Group/Company continues an investment project on the modernisation of Kaunas Hydro Power Plant valued at LTL 125 million. LTL 30 million from this amount is financed by the European Regional Development Fund and from the national co-financing. Alstom Power Sweden AB is the general contractor of the project. As at 30 June 2009, construction works for LTL 86 million have been completed under the general contract. As at 30 June 2009 the Group's/Company's liability under this project amounts to LTL 38 million (as at 31 December 2008 – LTL 51 million).The Group's/Company's other purchase commitments related to non-current tangible assets as at 30 June 2009 and 31 December 2008 comprise LTL 17 million and LTL 9 million respectively.

As described in Note 34, according to the agreement signed by the shareholders of the parent company LEO LT, AB, Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant have to be transferred to the State by 27 May 2010.

6 Investment property

	Group	Company
At 31 December 2007		
Acquisition cost	-	6,054
Accumulated depreciation	-	(291)
Net book amount	**-**	**5,763**
Period ended 30 June 2008		
Opening net book amount	-	5,763
Depreciation charge	-	(36)
Net book amount at 30 June 2008	**-**	**5,727**
At 30 June 2008		
Acquisition cost	-	6,054
Accumulated depreciation	-	(327)
Net book amount at 30 June 2008	**-**	**5,727**
At 31 December 2008		
Acquisition cost	4,377	22,699
Accumulated depreciation	(458)	(920)
Net book amount at 31 December 2008	**3,919**	**21,779**
Period ended 30 June 2009		
Opening net book amount	3,919	21,779
Reclassifications from property, plant and equipment	19,216	19,216
Depreciation charge	(47)	(162)
Net book amount at 30 June 2009	**23,088**	**40,833**
At 30 June 2009		
Acquisition cost	23,593	41,915
Accumulated depreciation	(505)	(1,082)
Net book amount at 30 June 2009	**23,088**	**40,833**

The fair value of the investment property of the Group and the Company as at 31 December 2008 as determined by the independent valuators amounted to LTL 9,508 thousand and LTL 28,299 thousand respectively. As estimated by the Company, as at 30 June 2009 these values amount to LTL 27,747 thousand and LTL 44,681 thousand respectively.

Income from lease of investment property of the Group and the Company in the first half of 2009 amounted to LTL 472 thousand and LTL 999 thousand respectively. Rental income of the Company in the first half of 2008 amounted to LTL 298, thousand while the Group did not earn income from lease of investment property. On 30 June 2009 the average rent period of all lease agreements according to which rental income is earned is 2 years.

7 Investments

As at 30 June 2009 and 31 December 2008, the Company had direct control over these subsidiaries:

Subsidiary **30 June 2009**	**Acquisition cost**	**Impairment**	**Carrying amount**
Kauno Energetikos Remontas UAB	31,341	(15,441)	15,900
Kruonio Investicijos UAB	2,361	(607)	1,754
Energetikos Pajėgos UAB	414	-	414
Total	**34,116**	**(16,048)**	**18,068**

Subsidiary **31 December 2008**	**Acquisition cost**	**Impairment**	**Carrying amount**
Kauno Energetikos Remontas UAB	31,341	(15,441)	15,900
Kruonio Investicijos UAB	2,361	(607)	1,754
Energetikos Pajėgos UAB	414	-	414
Total	**34,116**	**(16,048)**	**18,068**

The Company owns 100 per cent of shares of these companies. The Company had indirect control over Gotlitas UAB and until 2 June 2009 Kaliningradski Energoremont OOO, i.e. through Kauno Energetikos Remontas UAB (Note 1).

The structure of the Company's investments in the associates and the joint venture as at 30 June 2009 and 31 December 2008 is as follows:

Company **30 June 2009**	**Acquisition cost**	**% interest held**	**Impairment**	**Carrying amount**
Geoterma UAB	7,396	23.44	(3,949)	3,447
Nordic Energy Link AS	21,175	25.00	-	21,175
LitPol Link Sp.z.o.o	1,020	50.00	(1,020)	-
Total	**29,591**		**(4,969)**	**24,622**

Company **31 December 2008**	**Acquisition cost**	**% interest held**	**Impairment**	**Carrying amount**
Geoterma UAB	7,396	23.44	(4,104)	3,292
Nordic Energy Link AS	21,175	25.00	-	21,175
LitPol Link Sp.z.o.o	1,020	50.00	(727)	293
Total	**29,591**		**(4,831)**	**24,760**

The structure of the Group's investments in the associates and the joint venture as at 30 June 2009 and 31 December 2008 is as follows:

Group **30 June 2009**	**Acquisition cost**	**% interest held**	**Impairment and equity method**	**Carrying amount**
Geoterma UAB	7,396	23.44	(3,949)	3,447
Nordic Energy Link AS	21,175	25.00	848	22,023
Enmašas UAB	20	33.33	71	91
LitPol Link Sp.z.o.o	1,020	50.00	(1,020)	-
Total	**29,611**		**(4,050)**	**25,561**

7 *Investments (continued)*

Group 31 December 2008	Acquisition cost	% interest held	Impairment and equity method	Carrying amount
Geoterma UAB	7,396	23.44	(4,104)	3,292
Nordic Energy Link AS	21,175	25.00	848	22,023
Enmašas UAB	20	33.33	71	91
LitPol Link Sp.z.o.o	1,020	50.00	(727)	293
Total	**29,611**		**(3,912)**	**25,699**

On 19 May 2008, the Chief Executive Officers of electricity transmission system operators Lietuvos Energija AB and PSE Operator (Poland) signed the Articles of a joint venture LitPol Link, which will implement the interconnection project of the Lithuanian and Polish power systems. Lietuvos Energija AB and PSE Operator each owns 50 per cent of shares of the joint venture. The joint venture was registered on 8 August 2008.

Financial position as at 30 June 2009 and 31 December 2008 and operating results for the first half of 2009 and 2008 of the associates and the joint venture are as follows (unaudited):

At 30 June 2009	Assets	Liabilities	Sales revenue	Net profit (loss)
Geoterma UAB	57,563	42,858	5,884	1,163
Nordic Energy Link AS	330,363	250,271	30,442	788
LitPol Link Sp.z.o.o	402	927	-	(1,082)

At 30 June 2008	Assets at 31 December 2008	Liabilities at 31 December 2008	Sales revenue	Net profit (loss)
Geoterma UAB	55,460	41,413	-	(4,435)
Nordic Energy Link AS	332,499	253,195	35,441	1,404
Enmašas UAB	285	11	49	(16)
LitPol Link Sp.z.o.o	885	299	-	-

Movements of investments in the associates and the joint venture for the periods ended 30 June 2009 and 30 June 2008 were as follows:

	Group 30 June 2009	Company 30 June 2009	Group 30 June 2008	Company 30 June 2008
Carrying amount at 1 January	**25,699**	**24,760**	**23,237**	**22,822**
Increase in investments	-	-	4,063	4,043
Impairment of investments		(138)	-	(685)
Share of financial result (loss) of associates and joint ventures	(138)	-	(606)	-
Carrying amount at the end of the period	**25,561**	**24,622**	**26,694**	**26,180**

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

8 Non-current receivables

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

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Other accounts receivable	591	591	651	651
Total	**591**	**591**	**651**	**651**
Less: current portion (Note 11)	(25)	(25)	(27)	(27)
Carrying amount	**566**	**566**	**624**	**624**

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

9 Inventories

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

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Materials and consumables, production in progress and finished goods at acquisition (production) cost	7,914	4,649	9,923	5,065
Goods for resale at acquisition cost	606	322	535	319
Non-current assets held for sale	5,877	-	-	-
Less: write-down to net realisable value	(4,353)	(1,018)	(4,448)	(858)
Carrying amount	**10,044**	**3,953**	**6,010**	**4,526**

The acquisition cost of the Group's and the Company's inventories accounted for at net realisable value as at 30 June 2009 amounted to LTL 6,595 thousand and LTL 1,492 thousand respectively (31 December 2008: LTL 6,329 thousand and LTL 1,255 thousand respectively).

Amount of inventory recognised as expense in the Group and the Company during the period ended 30 June 2009 amounted to LTL 3,505 thousand and LTL 1,818 thousand, respectively (during the period ended 30 June 2008 - LTL 9,108 thousand and LTL 3,664 thousand respectively).

As described in Note 5, as at 30 June 2009 the Group reclassified buildings and property, plant and equipment of LTL 5,877 thousand to assets held for sale. The Group management approved the plan for disposal of these assets and expects that the disposal will be completed within 1 year.

Changes in impairment of inventories in the first half of 2009 and in 2008 are shown in the table below:

	Group 30 June 2009	Company 30 June 2009	Group 30 June 2008	Company 30 June 2008
Impairment of inventories at 1 January	4,448	858	482	396
Write-down of inventories during the reporting period	197	197	-	-
Reversal of inventory write-down	(292)	(37)	(392)	(306)
Impairment of inventories at the end of the reporting period	**4,353**	**1,018**	**90**	**90**

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

10 Trade receivables

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

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Receivables for electricity sold in Lithuania	181,242	181,242	55,007	55,007
Receivables for repair and design works	7,784	-	10,353	-
Receivables for exported electricity	7,824	7,824	19,614	19,614
Receivables for electricity transit	-	-	574	574
Unbilled revenue from electricity-related sales	17,251	17,251	51,308	51,308
VAT on unbilled revenue	3,136	3,136	9,749	9,749
Total	**217,237**	**209,453**	**146,605**	**136,252**
Less: allowance for doubtful receivables	(10,608)	(9,910)	(10,313)	(9,612)
Carrying amount	**206,629**	**199,543**	**136,292**	**126,640**

The fair value of trade receivables approximates their carrying amounts.

Movements in impairment of trade receivables in the first half of 2009 and in 2008 were as follows:

	Group 30 June 2009	Company 30 June 2009	Group 30 June 2008	Company 30 June 2008
Carrying amount at 1 January	**10,313**	**9,612**	**9,947**	**9,612**
Recognised as doubtful receivables in the reporting period	298	298	-	-
Reversal of doubtful receivables	(3)	-	(10)	-
Carrying amount at the end of the period	**10,608**	**9,910**	**9,937**	**9,612**

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

As at 30 June 2009 and 31 December 2008, 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 interim financial statements.

Trade receivables that are overdue more than 60 days are considered as impaired. The ageing analysis of Group's and the Company's trade receivables that are not overdue and overdue, but not impaired is as follows:

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Not overdue	205,331	198,404	133,584	126,257
Overdue up to 30 days	503	414	2,465	383
Overdue from 30 to 60 days	795	725	243	-
Carrying amount	**206,629**	**199,543**	**136,292**	**126,640**

11 Other accounts receivable

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

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Deferred VAT receivable	7,649	7,649	5,344	5,344
Receivables for IT and telecommunications services	3,350	3,362	2,805	2,830
Accrued interest receivable	1,047	1,047	126	126
Receivable from Visagino Atominė Elektrinė and UAB InterLinks UAB	50	50	7,413	7,413
Current portion of long-term receivables (Note 8)	25	25	27	27
VAT receivable from the budget	3	-	332	-
Loan granted to Kauno energetikos remontas UAB	-	1,500	-	-
Other accounts receivable	5,111	5,104	5,941	5,903
Total	**17,235**	**18,737**	**21,988**	**21,643**
Less: doubtful receivables	(4,848)	(4,848)	(4,870)	(4,870)
Carrying amount at the end of the period	**12,387**	**13,889**	**17,118**	**16,773**

Movements in impairment of doubtful other receivables in the first half of 2009 and 2008 were as follows:

	Group 30 June 2009	Company 30 June 2009	Group 30 June 2008	Company 30 June 2008
Carrying amount at 1 January	**4,870**	**4,870**	**4,860**	**4,860**
Reversal of doubtful receivables	(30)	(30)	(1)	(1)
Write-down of doubtful receivables	(27)	(27)	-	-
Recognised as doubtful receivables in the reporting period	35	35	-	-
Carrying amount at the end of the period	**4,848**	**4,848**	**4,859**	**4,859**

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

Other receivables that are overdue more than 60 days are considered as impaired. The ageing analysis of Group's and the Company's other receivables that are not overdue and overdue, but not impaired, is as follows:

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Not overdue	12,049	13,558	16,989	16,644
Overdue up to 30 days	210	201	54	54
Overdue from 30 to 60 days	128	130	75	75
Carrying amount	**12,387**	**13,889**	**17,118**	**16,773**

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

12 Other financial assets

Other financial assets of the Group and the Company as at 30 June 2009 include securities issued by the Lithuanian Government valued at LTL 39,705 thousand with the maturity expiring on 21 June 2010 (31 December 2008: bonds issued by the Lithuanian and Finnish Governments valued at LTL 15,994 thousand).

The carrying amount of other financial assets approximates their fair value.

13 Term deposits

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

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Term deposit at Swedbank AB (contract currency litas), maturity – August 2009	10,000	10,000	-	-
Term deposit at Swedbank AB (contract currency litas), maturity – November 2009	30,000	30,000	-	-
Term deposit at SEB Bankas AB (contract currency litas), maturity – August 2009	60	-	-	-
Term deposit at the bank Snoras AB (contract currency litas), maturity – December 2009	150	-	-	-
Term deposit at the bank Snoras AB (contract currency litas), maturity – June 2009	-	-	200	-
Carrying amount	**40,210**	**40,000**	**200**	**-**

The carrying amounts of term deposits approximate their fair values. The interest rates on term deposits vary from 8.11 to 8.95%.

14 Cash and cash equivalents

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

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Cash at bank and in hand	9,774	9,534	23,972	23,481
Term deposit at SEB Bankas AB (contract currency litas), maturity – July 2009	150	-	-	-
Term deposit at SEB Bankas AB (contract currency litas), maturity – August 2009	200	-	-	-
Term deposit at Nordea Bank Finland Plc Lithuania Branch (contract currency litas), maturity – July 2009	360	-	360	-
Term deposit at Swedbank AB (contract currency litas), maturity – August 2009	12,000	12,000	15,000	15,000
Term deposit at SEB Bankas AB (contract currency litas), maturity – January 2009	-	-	29,000	29,000
Term deposit at Swedbank AB (contract currency litas), maturity – August 2009	40,000	40,000	-	-
Term deposit at Swedbank AB (contract currency litas), maturity – April 2009	-	-	1,701	1,701
Overnight deposit at Swedbank AB (contract currency litas)	1,077	1,077	-	-
Overnight deposit at Swedbank AB (contract currency euro)	2,064	2,064	424	424
Carrying amount	**65,625**	**64,675**	**70,457**	**69,606**

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

Original maturity of all deposits is up to three months; the weighted average of interest rate of the Group and the Company was 7.78 % and 7.81 %, respectively, as of 30 June 2009 (as at 31 December 2008 - 4.30 % and 4.31 % respectively).

As at 30 June 2009, the Company had no effective overdraft or credit limit agreements.

15 Share capital

As at 30 June 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. All the shares are fully paid. The highest share price at the Stock Exchange session in 2009 was LTL 2.39 per share, the lowest – LTL 1.29 per share. The number of shareholders as at 30 June 2009 was 5,867.

The shareholders' structure of the Company is as follows:

Shareholders	Share capital at 30 June 2009		Share capital at 31 December 2008	
	LTL	%	LTL	%
LEO LT, AB	664,700,833	96.40	664,700,833	96,40
State of Lithuania represented by the Ministry of the Economy	556	0.00	303,442	0,04
Other	24,814,046	3.60	24,511,160	3.56
Total	**689,515,435**	**100.00**	**689,515,435**	**100.00**

LEO LT, AB is owned by the State of Lithuania represented by the Ministry of the Economy (61.7%) and NDX Energija UAB (38.3%).

16 Legal reserve

Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of at least 5 per cent of net profit are compulsory until the reserve reaches 10 per cent of the share capital.

As at 30 June 2009, the Company had fully formed a legal reserve, which accounted for 10 per cent of the share capital and amounted to LTL 68,952 thousand.

17 Other reserves

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

Group	Reserve for share capital reduction due to transfer of fuel oil storage facilities	Reserve for invest-ments	Reserve for support, tantiemes & bonuses	Non-current asset-related reserves	Other reserves	Total
Balance at 31 December 2007	**(63,777)**	**162,744**	**1,719**	**1,293,569**	**10,531**	**1,404,786**
Reserves established	-	-	3,053	-	48,443	51,496
Reserves utilised	-	-	(1,700)	-	-	(1,700)
Balance at 30 June 2008	**(63,777)**	**162,744**	**3,072**	**1,293,569**	**58,974**	**1,454,582**
Balance at 31 December 2008	**(63,777)**	**162,744**	**3,020**	**1,293,569**	**58,974**	**1,454,530**
Reserves established	-	-		-		
Reserves utilised	-	(162,744)	(3,020)	(1,293,569)	(58,919)	(1,518,252)
Balance at 30 June 2009	**(63,777)**	**-**	**-**	**-**	**55**	**(63,722)**

Company	Reserve for share capital reduction due to transfer of fuel oil storage facilities	Reserve for invest-ments	Reserve for support, tantiemes & bonuses	Non-current asset-related reserves	Other reserves	Total
Balance at 31 December 2007	**(63,777)**	**160,637**	**1,700**	**1,293,569**	**10,531**	**1,402,660**
Reserves established	-	-	2,780	-	47,831	50,611
Reserves utilised	-	-	(1,700)	-	-	(1,700)
Balance at 30 June 2008	**(63,777)**	**160,637**	**2,780**	**1,293,569**	**58,362**	**1,451,571**
Balance at 31 December 2008	**(63,777)**	**160,637**	**2,780**	**1,293,569**	**58,362**	**1,451,571**
Reserves established	-					
Reserves utilised	-	(160,637)	(2,780)	(1,293,569)	(58,362)	(1,515,348)
Balance at 30 June 2009	**(63,777)**	**-**	**-**	**-**	**-**	**(63,777)**

17 Other reserves (continued)

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

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

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

18 Borrowings

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

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Within the first year	487	-	271	-
Within the second year	13,811	13,811	13,811	13,811
Total	**14,298**	**13,811**	**14,082**	**13,811**

Non-current borrowings of the Group and the Company are shown in the table below:

Credit institution	Contractual amount of loan (in EUR thousand)	Amount of used but not repaid loan as at 30 June 2009 (in EUR thousand)	Repayment term	Amount of used but not repaid loan as at 30 June 2009	Current portion as at 31 December 2008	Amount of used but not repaid loan as at 31 December 2008
UniCredit Bank AS, Lithuanian Branch	15,000	4,000	2010	13,811	-	13,811
Total non-current borrowings	**15,000**	**4,000**		**13,811**	**-**	**13,811**

Current borrowings of the Group as at 30 June 2009 include LTL 487 thousand overdraft used by Kauno Energetikos Remontas UAB (the Company had no current borrowings as at 30 June 2009).

As at 30 June 2009 and 31 December 2008, the Company's borrowings totalled LTL 13,811 thousand with a fixed interest rate 4.77 per cent.

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

In 2009 and 2008 the Group and the Company was in compliance with all covenants under the loan agreements.

The estimated fair value of the borrowings as of 30 June 2009 approximates to its carrying value (LTL 12,150 thousand as of 31 December 2008).

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

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

As at 31 December 2008 the Group and Company had effective loan agreements with AB SEB bankas (EUR 15 000 thousand) and AB Swedbank (EUR 11 585 thousand), which were unused at that date.

19 Financial lease liabilities

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

Group	At 30 June 2009		At 31 December 2008	
	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	588	473	728	595
Within second – fifth years	1,799	1,648	2,115	1,894
Minimum finance lease payments	**2,387**	**2,121**	**2,843**	**2,489**
Less: deferred interest	(266)	-	(354)	-
Present value of minimum finance lease payments	**2,121**	**2,121**	**2,489**	**2,489**

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

The Company did not have any financial lease obligations outstanding as at 30 June 2009 and 31 December 2008.

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

20 Grants

The grants balance consists of grants related to the financing of assets acquisition. Movement of grants in the first half year of 2009 and 2008 is as follows:

	Group	Company
Balance at 31 December 2007	**36,669**	**36,617**
Received during the period	7,330	7,330
Utilised during the period	(891)	(880)
Balance at 30 June 2008	**43,108**	**43,067**
Balance at 31 December 2008	**66,339**	**66,309**
Received during the period	-	-
Utilised during the period	(1,294)	(1,288)
Balance at 30 June 2009	**65,045**	**65,021**

21 Other non-current accounts payable and liabilities

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Advances received from new customers*	21,732	21,732	22,673	22,673
Provisions for pension payments and injury compensations	1,413	1,413	1,620	1,620
Liability related to guarantees for Nordic Energy Link (Note 34)	1,304	1,304	1,304	1,304
Total	**24,449**	**24,449**	**25,597**	**25,597**

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

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

22 Income tax

Income tax expense as at 30 June 2009 and 30 June 2008 comprised as follows:

	Group 2009	Company 2009	Group 2008 (restated)	Company 2008 (restated)
Income tax expense components				
Current tax charge	24,426	24,373	15,242	15,083
Deferred tax expense (income)	(29,373)	(29,405)	(5,741)	(5,727)
Income tax expense (income) for the reporting period	**(4,947)**	**(5,032)**	**9,501**	**9,356**

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

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Deferred tax assets				
Effect of non-current assets measured at revalued amount and deemed cost (impairment)	251,545	250,966	245,363	244,780
Accruals	7,197	7,197	399	399
Bad debts	3,092	2,952	3,037	2,896
Impairment of property, plant and equipment	2,286	422	2,513	536
Impairment of financial assets	994	4,203	966	4,176
Vacation reserve	857	575	722	503
Impairment of intangible assets	21	-	21	-
Write down of inventories to net realisable value	871	204	890	172
Written-off capitalised interest	-	-	-	-
Total deferred tax asset before impairment of realisable value	**266,863**	**266,519**	**253,911**	**253,462**
Less: impairment of realisable value	(2,284)	(2,144)	(2,246)	(2,206)
Deferred tax asset less impairment of realisable value	**264,579**	**264,375**	**251,665**	**251,256**
Deferred tax liability				
Effect of non-current assets measured at revalued amount/deemed cost (increase in value)	(564,624)	(562,026)	(602,201)	(599,449)
Net book value of non-current assets with the tax relief (Method II) applied (excluding construction in progress)	(31,117)	(30,862)	(31,911)	(31,638)
Effect of different depreciation rates for PP&E in financial and tax accounting	(1,740)	(1,740)	(1,730)	(1,730)
Construction in progress with the tax relief (Method II) applied in 1998 – 2001, not put into operation before 30 June 2009	(3)	(3)	(3)	(3)
Effect of guarantee liability	(179)	(179)	(179)	(179)
Total deferred tax liability	**(597,663)**	**(594,810)**	**(636,024)**	**(632,999)**
Deferred tax liability, net	**(333,084)**	**(330,435)**	**(384,359)**	**(381,743)**

As at 30 June 2009, deferred tax assets and liability were calculated using a tax rate of 20 per cent (31 December 2008 – 15 per cent).

The current portion of net deferred income tax liability that will be realised during 12 months is LTL 29,858 thousand.

22 *Income tax (continued)*

Changes in temporary differences were as follows:

Group

	At 31 December 2008	Recognised in other comprehensive income	Recognised in profit and loss	At 30 June 2009
Effect of non-current assets measured at revalued amount/deemed cost (impairment)	1,226,820		30,905	1,257,725
Bad debts	15,183		277	15,460
Impairment of property, plant and equipment	12,565		(1,135)	11,430
Impairment of financial assets	4,831		139	4,969
Write down of inventories to net realisable value	4,448		(95)	4,353
Vacation reserve	3,609		676	4,285
Accruals	1,993		33,992	35,985
Impairment of intangible assets	105		-	105
Construction in progress with the tax relief (Method II) applied in 1998 – 2001, not put into operation before 30 June 2009	(16)		-	(16)
Effect of guarantee liability	(893)		-	(893)
Effect of different depreciation rates for PP&E in financial and tax accounting	(8,649)		(54)	(8,703)
Net book value of non-current assets with the tax relief (Method II) applied (excluding construction in progress)	(159,557)		3,972	(155,585)
Effect of non-current assets measured at revalued amount/deemed cost (increase in value)	(3,011,003)	109,509	78,381	(2,823,113)
Total temporary differences	**(1,910,564)**	**109,509**	**147,058**	**(1,653,998)**
Deferred tax calculated at a rate of 20 per cent	**(382,113)**	**21,902**	**29,411**	**(330,800)**
Decrease in realisable value of deferred tax assets	**(2,246)**		**(38)**	**(2,284)**
Deferred tax liability, net	**(384,359)**	**21,902**	**29,373**	**(333,084)**

Company

	At 31 December 2008	Recognised in other comprehensive income	Recognised in profit and loss	At 30 June 2009
Effect of non-current assets measured at revalued amount/deemed cost (impairment)	1,223,899		30,933	1,254,832
Impairment of financial assets	20,878		139	21,017
Bad debts	14,482		276	14,758
Impairment of property, plant and equipment	2,682		(571)	2,111
Vacation reserve	2,513		362	2,875
Accruals	1,993		33,992	35,985
Write down of inventories to net realisable value	858		160	1,018
Construction in progress with the tax relief (Method II) applied in 1998 – 2001, not put into operation before 30 June 2009	(16)		-	(16)
Effect of guarantee liability	(893)			(893)
Effect of different depreciation rates for PP&E in financial and tax accounting	(8,649)		(54)	(8,703)
Net book value of non-current assets with the tax relief (Method II) applied (excluding construction in progress)	(158,191)		3,883	(154,308)
Effect of non-current assets measured at revalued amount/deemed cost (increase in value)	(2,997,243)	109,509	77,601	(2,810,133)
Total temporary differences	**(1,897,687)**	**109,509**	**146,721**	**(1,641,457)**
Deferred tax calculated at a rate of 20 per cent	**(379,537)**	**21,902**	**29,344**	**(328,291)**
Decrease in realisable value of deferred tax assets	**(2,206)**		**62**	**(2,144)**
Deferred tax liability, net	**(381,743)**	**21,902**	**29,406**	**(330,435)**

22 Income tax (continued)

Income tax expenses recognised in the comprehensive income statement, attributable to current year operating result, can be reconciled with income tax expenses, calculated on profit before tax applying statutory income tax rate:

	Group as of 30 June 2009	Company as of 31 June 2009	Group as of 30 June 2008	Company as of 31 June 2008
Profit (loss) before income tax	**(31,347)**	**(27,739)**	**60,240**	**60,327**
Theoretical tax calculated at the tax rate of 20 % (15 % in 2008)	(6,269)	(5,548)	9,036	9,049
Effect of non-deductable expenses and not taxable income	1,322	516	465	307
Income tax	**(4,947)**	**(5,032)**	**9,501**	**9,356**
Effective income tax rate, %	**16**	**18**	**16**	**16**

23 Bonds issued

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

The fair value of the issued bonds as at 30 June 2009 was EUR 7,512 thousand (LTL 25,937 thousand) (31 December 2008: EUR 7,485 thousand (LTL 25,845 thousand).

24 Trade payables

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

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Debts for electricity and related services	104,528	104,528	56,271	56,271
Accrued liability for electricity	63,513	63,513	28,104	28,104
VAT on accrued liability for electricity	7,639	7,639	5,089	5,089
Amounts payable for material values	1,694	484	2,383	1,467
Amounts payable for contractual works, other services	26,119	24,936	66,249	62,658
Total	**203,493**	**201,100**	**158,096**	**153,589**

The fair value of trade payables approximates their carrying amounts.

25 Other accounts payable and liabilities

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

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Accrued expenses for PSO service	39,070	39,070	-	-
VAT payable to the budget	12,645	12,369	3,041	3,039
Employment-related liabilities	4,255	2,523	3,559	1,647
Vacation reserve	3,905	2,875	3,609	2,512
Deferred VAT payable	3,136	3,136	9,999	9,999
Other accrued expenses	3,052	3,052	8,693	8,693
Current portion of deferred income	645	645	598	598
Dividends payable	508	508	520	520
Natural resource tax	127	127	345	345
Real estate tax payable	27	27	2,440	2,440
Other accounts payable and current liabilities	468	38	251	189
Carrying amount	**67,838**	**64,370**	**33,055**	**29,982**

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

As explained in Note 2.2 (c), the accrued expenses for PSO service as at 30 June 2009 relates to the actually purchased electricity from suppliers of electricity under PSO scheme.

26 Sales revenue

The Group's and the Company's sales revenue consists of revenue from electricity and related services. Sales revenue for the periods ended on 30 June are presented below:

	Group 30 June 2009	Company 30 June 2009	Group 30 June 2008	Company 30 June 2008
Public service obligations (PSO)	318,596	318,596	196,696	196,696
Domestic sales of electricity (excluding PSO)	170,152	170,152	118,940	118,940
Export of electricity	125,468	125,468	126,000	126,000
Electricity transmission service	115,855	115,855	121,660	121,660
Capacity reserve	69,428	69,428	66,922	66,922
Other sales of electricity and related services	4,843	4,843	2,820	2,820
Revenue from connection of new users*	314	314	292	292
Total sales revenue	**804,656**	**804,656**	**633,330**	**633,330**

* The Company and the Group had accounted for LTL 14,680 thousand (31 December 2008: LTL 14,329 thousand) of deferred revenue related to the connection of new users and related advances received from new users (Note 21) for connection to electricity networks amounting to LTL 21,732 thousand (31 December 2008: LTL 22,673 thousand) which are reclassified to deferred revenue upon the provision of connection services. The Company/Group recognises such revenue in the statement of comprehensive income during the useful life of property, plant and equipment developed. During the first half of 2009, the Company/Group has recognised revenue of LTL 314 thousand (first half of 2008: LTL 292 thousand) from connection of new users.

27 Segment reporting

Management has determined the operating segments based on the reports reviewed by the Board of directors. The Board considers the business from geographical and service perspective.

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

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

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

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

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

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

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

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

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

27 Segment reporting (continued)

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

January – June 2009	Segments earning external revenue									Segment earning internal revenue	Total
	Transmission System operator (TSO)	including					Energy trade (market operator)	Export/ import	Other segments	Generation	
		Electricity transmission	Trade in balancing/regulating electricity	Provision of capacity reservation service	PSO service	Other TSO services					
Total segment revenue	**567,267**	**144,354**	**29,765**	**69,428**	**318,596**	**5,124**	**218,668**	**136,762**	**25,070**	**49,894**	**997,661**
Inter-segment revenue	43,085	28,499	14,586	-	-	-	63,662	11,294	2,365	49,894	**170,300**
Revenue from external customers	**524,182**	**115,855**	**15,179**	**69,428**	**318,596**	**5,124**	**155,006**	**125,468**	**22,705**	**-**	**827,361**
Operating profit (loss)	**(68,864)**	**(42,193)**	**583**	**1,016**	**(33,349)**	**5,079**	**1,303**	**35,298**	**(1,394)**	**-**	**(33,657)**
Depreciation and amortisation	79,555	72,109	-	7,444	1	1	2,305	671	5,444	-	87,975
Loss on property, plant and equipment revaluation	50,800	50,798	-	-	1	1	1,623	473	3,152	-	56,048
Finance income (costs), net	x	x	x	x	x	x	x	x	x	x	**2,310**
Profit (loss) before income tax	x	x	x	x	x	x	x	x	x	x	**(31,347)**
Income tax	x	x	x	x	x	x	x	x	x	x	**4,947**
Net profit (loss)	x	x	x	x	x	x	x	x	x	x	**(26,400)**
Total segment assets	2,572,788	2,242,337	25	330,382	34	10	57,448	77,104	139,807	152,346	2,999,493
Unallocated assets											369,852
Total assets											**3,369,345**

27 *Segment reporting (continued)*

The Group's information on segments as at 30 June 2008 and for the period then ended is presented in the table below:

January – June 2008	Segments earning external revenue									Segment earning internal revenue	Total
	Trans-mission System operator (TSO)	including					Energy trade (market operator)	Export/ import	Other segments	Generation	
		Electricity trans-mission	Trade in balancing/re gulating electricity	Provision of capacity reservation service	PSO service	Other TSO services					
Total segment revenue	**417,620**	**139,278**	**11,905**	**66,922**	**196,696**	**2,819**	**96,892**	**150,045**	**43,810**	**24,045**	**732,412**
Inter-segment revenue	**17,619**	**17,619**	**-**	**-**	**-**	**-**	**(10,435)**	**24,043**	**-**	**24,045**	**55,272**
Revenue from external customers	**400,001**	**121,659**	**11,905**	**66,922**	**196,696**	**2,819**	**107,327**	**126,002**	**43,810**	**-**	**677,140**
Operating profit (loss)	17,795	13,100	3,836	5,432	(4,399)	(174)	(231)	41,314	3,047	-	**61,925**
Depreciation and amortisation	63,410	51,012	-	12,398	-	-	2,975	1,157	-	-	67,542
Finance income (costs), net	x	x	x	x	x	x	x	x	x	x	**(1,685)**
Profit (loss) before income tax	x	x	x	x	x	x	x	x	x	x	**60,240**
Income tax	x	x	x	x	x	x	x	x	x	x	**(9,501)**
Net profit (loss)	x	x	x	x	x	x	x	x	x	x	**50,739**
Total segment assets	2,245,886	1,931,034	29	314,769	42	12	55,310	71,875	78,514	133,239	2,584,824
Unallocated assets											213,466
Total assets											**2,798,290**

27 Business and geographical segments (continued)

The Company exports electricity to the EU Member States and Russia. In first half of 2009, the Company's revenue from a direct export of electricity amounted to LTL 107.2 million (2008: LTL 111.2 million). Also, the Group exported metal structures and repair services.

In the first half of 2009 and 2008, the Group's and the Company's revenue according to countries was as follows:

Country	Group 30 June 2009	Company 30 June 2009	Group 30 June 2008	Company 30 June 2008
Lithuania	715,990	711,001	564,818	533,814
Estonia	63,307	62,931	42,713	42,670
Finland	34,150	31,892	35,683	34,952
Latvia	12,416	12,416	33,624	33,617
Germany	1,498	-	152	-
Russia	-	-	150	-
Total	**827,361**	**818,240**	**677,140**	**645,053**

Apart from a direct export, the Company sells peak energy intended for exports. In first half of 2009, revenue generated from sales of peak energy amounted to LTL 5.0 million (2008: LTL 4.1 million). The Company has also been exported excess basic electricity and electricity produced during holidays and weekends. In the first half of 2009, revenue from such sales amounted to LTL 13.2 million (2008: LTL 10.9 million).

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

The Group's and Company's revenue derived from a single external customer are LTL 559,591 thousand (2008 – LTL 252,730 thousand).

28 Other operating income

In the first half of 2009 and 2008, the Group's and the Company's other operating income included as follows:

	Group 30 June 2009	Company 30 June 2009	Group 30 June 2008	Company 30 June 2008
Repairs and other services	8,613	7	31,442	53
Data transmission	6,224	6,224	6,337	6,337
Rent of property	2,878	2,687	1,084	1,095
Internet services	1,700	1,700	1,760	1,765
Rent of infrastructure	1,374	1,374	1,360	1,360
IT services	617	617	283	283
Other income	604	417	730	263
Voice telephony services	298	308	213	232
Health, catering and recreation services	225	225	481	335
Design works	147	-	120	-
Gain on disposal of property, plant and equipment	25	25	-	-
Total other operating income	**22,705**	**13,584**	**43,810**	**11,723**

Repair service revenue represents contract revenue earned by subsidiary UAB Kauno Energetikos Remontas (there is no contract revenue in the Company). The information about contracts in progress as of 30 June 2009 and 30 June 2008:

	30 June 2009	20 June 2008
Repair services income from projects in progress recognised from the beginning of the project	7,417	6,188
Total repair services expenses recognised from the beginning of the project	8,216	5,598
Repair services income recorded in the current year statement of comprehensive income	103	149
Repair services expenses recorded in the current year statement of comprehensive income	105	152
Unbilled revenue	-	-
Trade receivables (accounted for in accounts receivable)	8,223	16,509
Advances received	409	2,733

29 Finance income

In the first half of 2009 and 2008, the Group's and the Company's finance income included as follows:

	Group 30 June 2009	Company 30 June 2009	Group 30 June 2008	Company 30 June 2008
Interest income	3,311	3,296	284	247
Foreign currency exchange gain	1	1	49	43
Dividends received	-	-	-	633
Other income	148	144	154	132
Total finance income	**3,460**	**3,441**	**487**	**1,055**

30 Other finance costs

In the first half of 2009 and 2008, the Group's and the Company's other finance costs included as follows:

	Group 30 June 2009	Company 30 June 2009	Group 30 June 2008	Company 30 June 2008
Interest expenses	914	848	1,500	1,492
Impairment of investments in associates	138	138	606	685
Foreign currency exchange loss	20	9	25	25
Loan service costs	20	20	21	21
Other expenses	58	1	20	13
Total finance costs	**1,150**	**1,016**	**2,172**	**2,236**

31 Related party transactions

Purchase and sale of goods and services:

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

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

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

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministries of the Economy and Energy of the Republic of Lithuania (including LEO LT, AB and its subsidiaries)	60,376	125,944	374,311	604,119
Subsidiaries of the Company	1,582	1,528	2,300	95
Associates of the Company	-	-	7,790	543
Total	**61,958**	**127,472**	**384,401**	**604,757**

31 Related party transactions (continued)

The Group's transactions with related parties during first half of 2008 and the balances arising on these transactions as at 31 December 2008 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministries of the Economy and Energy of the Republic of Lithuania (including LEO LT, AB and its subsidiaries)	44,093	54,849	290,830	264,475
Associates of the Group	45	19	6,352	2,618
Total	**44,138**	**54,868**	**297,182**	**267,093**

The Company's transactions with related parties during first half 2008 and the balances arising on these transactions as at 31 December 2008 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministries of the Economy and Energy of the Republic of Lithuania (including LEO LT, AB and its subsidiaries)	44,061	54,849	290,763	263,805
Subsidiaries of the Company	1,571	32	2,527	62
Associates of the Company	45	19	6,352	14
Total	**45,677**	**54,900**	**299,642**	**263,881**

The major related party sale and purchase transactions in 2009 and 2008 represent transactions with the entities controlled by the Ministries of the Economy and Energy of the Republic of Lithuania, VĮ Ignalinos Atominė Elektrinė (state company Ignalina Nuclear Power Plant) and Lietuvos Elektrinė AB (Lithuanian Power Plant). The Company's purchases from these suppliers mainly included purchases of electricity, capacity, and PSO services. Sales transactions mainly included sales of electricity, capacity, electricity transmission services and PSO services.

The major purchase and sale transactions in the LEO LT, AB group in 2008 were concluded with Rytų Skirstomieji Tinklai AB, VST AB and LEO LT, AB. In the first half of 2009 and in 2008 LEO LT, AB provided management services to the Company.

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

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

There were no guarantees or pledges given or received in respect of the related party payables and receivables, except for guarantee to associate described in Note 34. Related party payables and receivables are expected to be settled in cash or set-off against payables/receivables to/from a respective related party.

Payments to management

	Group 30 June 2009	Company 30 June 2009	Group 30 June 2008	Company 30 June 2008
Employment-related payments	1,005	554	1,348	948
Termination benefits	370	370	-	-
Other material amounts (bonuses for Board members)	-	-	80	80
Number of management staff (average annual)	20	5	29	12

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

32 Basic and diluted earnings per share (in LTL)

In 2009 and 2008, basic and diluted earnings per share were as follows:

	At 30 June 2009	At 30 June 2008
Net profit (loss) attributable to the Company's shareholders	(26,400)	50,739
Weighted average number of shares (units)	689,515,435	689,515,435
Basic and diluted earnings (deficit) per share (in LTL)	**(0.04)**	**0.07**

33 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 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Trade receivables	206,629	199,543	136,292	126,640
Other accounts receivables	12,387	13,889	17,118	16,773
Term deposits	40,210	40,000	200	-
Cash and cash equivalents	65,625	64,675	70,457	69,606
Loans and receivables	**324,851**	**318,107**	**224,067**	**213,019**
Other financial assets	39,705	39,705	15,994	15,994
Held to maturity investments	**39,705**	**39,705**	**15,994**	**15,994**
Total	**364,556**	**357,812**	**240,061**	**229,013**

Financial liabilities	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Borrowings	14,298	13,811	14,082	13,811
Bonds issued	25,896	25,896	25,896	25,896
Finance lease liabilities	2,121	-	2,489	-
Trade payables	203,493	201,100	158,096	153,589
Other accounts payable and liabilities	92,337	88,819	58,652	55,579
Financial liabilities at amortised cost	**338,145**	**128,526**	**259,215**	**248,875**

Credit risk

As at 30 June 2009 and 31 December 2008, credit risk was related to the following items:

	Group 30 June 2009	Company 30 June 2009	Group 31 December 2008	Company 31 December 2008
Financial assets	364,556	357,812	240,061	229,013

As at 31 June 2009 and 31 December 2008, financial assets included government securities, trade receivables, other accounts receivable, term deposits and cash and cash equivalents.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Consequently, the Company/Group considers that its maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognised at the balance sheet date.

The credit risk of the Group and the Company related to the accounts receivable is limited because the main buyers are reliable customers. As at 30 June 2009 and 31 December 2008 the credit quality of neither overdue, nor impaired trade receivables is high, as the major part of these receivables are from operators of distribution network and large industrial companies. The Group and the Company have significant credit risk concentration, because credit risks are shared among 10 main customers, which account for approximately 97 per cent of the total Group's and Company's trade receivables.

33 Financial risk management (continued)

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.

Ratings of the banks issued by international rating agency Fitch ratings as of 30 June 2009:

Bank	Non-current borrowing rating	Current borrowing rating
AB SEB Bankas	A+	F1
Swedbank, AB	A1	F1

Ratings of the banks issued by international rating agency Fitch ratings as of 31 December 2008:

Bank	Non-current borrowing rating	Current borrowing rating
AB SEB Bankas	A+	F1
Swedbank, AB	A1	F1

On 27 March 2009, the international credit rating agency Standard&Poors satisfied Lietuvos Energija's AB request to suspend the Company's ratings. On the grounds of the decreased credit rating of the Republic of Lithuania, Standard&Poors respectively downgraded the non-current borrowing rating of Lietuvos Energija AB for borrowings in foreign currency from BBB+ to BBB and the current borrowing rating – from A-2 to A-3. The Company has filed the suspension request as the rating agency has to make an analysis of the financial capacity of the entire LEO LT, AB Group.

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. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 30 June 2009 were 1.1 and 1.09 respectively (31 December 2008: 0.97 and 0.94, respectively). The Company's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 30 June 2009 were 1.1 and 1.09 respectively (31 December 2008: 0.95 and 0.94, respectively).

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

Group	Within the first year	Within the second year	Within third – fifth years	After five years
At 30 June 2009				
Loans and bonds	26,383	14,048	-	-
Financial lease liabilities	510	606	1,510	-
Trade and other payables	271,331	-	-	-
At 31 December 2008				
Loans and bonds	26,167	14,470	-	-
Financial lease liabilities	595	683	1,510	-
Trade and other payables	188,460	-	-	-

Company	Within the first year	Within the second year	Within third – fifth years	After five years
At 30 June 2009				
Loans and bonds	25,896	14,048	-	-
Trade and other payables	265,470	-	-	-
At 31 December 2008				
Loans and bonds	25,896	14,470	-	-
Trade and other payables	185,517	-	-	-

33 Financial risk management (continued)

Interest rate risk

The income and cash flows of the Group companies are not exposed significantly to the fluctuations of the market interest rate. The interest rate risk relates mainly to long-term borrowings. The borrowings issued at floating interest rates expose the Group to cash flow interest rate risk. The borrowings issued at fixed interest rates expose the Group to fair value interest rate risk.

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

The Group companies have loans with fixed and variable interest rates, related to VILIBOR.

Foreign currency risk

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

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

The companies comprising the Group have no significant concentration of foreign exchange risk; therefore, it did not use any financial instruments for managing the foreign exchange risk in 2009 and 2008.

Risk of security prices

The Company's and the Group's investments in securities represent only investments in government bonds (Note 12), which are classified as held to maturity by management. The Group/Company has not acquired any securities (shares, bonds etc.) for trading, thus they are not exposed to risks related to security prices.

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

Fair value of financial assets and liabilities

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

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

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

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

34 Contingent liabilities and commitments

Guarantees issued

In 2005, the Company guaranteed, under the guarantee agreements, the fulfilment of 25 per cent of Nordic Energy Link's AS liabilities to Nordic Investment Bank (LTL 45,750 thousand) and to SEB Eesti Uhispank AB (LTL 26,759 thousand). The guarantees expire after the full repayment of the loans by the associate to the respective banks, i.e. 15 March 2014 and 15 September 2014, respectively. The Group/Company has accounted for these guarantees at fair value in the financial statements for 2008. There was no significant change in the carrying amount of the guarantee obligation in the statement of financial position as at 30 June 2009, therefore, its value was not recalculated (31 December 2008: LTL 1,304 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.

34 Contingent liabilities and commitments (continued)

Legal proceedings

In 2008 and 2007 the Company was involved in an arbitration dispute with Eesti Energia AS regarding performance of the agreement on the delivery of electricity signed in 2005. The parties disagreed about the orders submitted under this agreement and an obligation to supply the ordered electricity volumes. In February 2009, the Arbitration Court rendered its award, which satisfied Eesti Energia AS's claim in part, therefore, a relevant liability for the amount of LTL 26,009 thousand, reflecting the amounts awarded, was accounted for in the Company's statement of financial position as at 31 December 2008. This amount also includes additional claims received from Eesti Energia AS after the rendering of the arbitration award, which are related with similar transactions concluded by 31 December 2008. On 22 April 2009, the Company paid to Eesti Energia AS LTL 20,089 thousand, which consist of amounts awarded and additional penalties accrued by the date of payment. On 1 July 2009, an additional arrangement to the agreement was concluded based on which if Lietuvos Energija AB fulfils the requirements of the additional arrangement by 31 December 2009, Eesti Energia AS will withdraw all its pending claims filed to Lietuvos Energija AB under the agreement. The provision used during the first half of 2009 amounts to LTL 17,800 thousand and the remaining balance of provision as at 30 June 2009 of LTL 8,209 thousand relates to the additional claims received from Eesti Energia AS. The Group/Company considers that the provision for additional claims received from Eesti Energia AS can be released only when the all claims by Eesti Energia AS will be withdrawn.

As at 31 December 2008, the Company disputed accounts payable to Vilniaus Energija UAB and Lietuvos Elektrinė AB related to the electricity supplied by these entities under public service obligation (PSO) scheme in the amount of LTL 7,437 thousand, which were not accounted for in the statement of financial position. The obligations to these suppliers were recalculated by the Company based on the actual volumes of the electricity supplied and the volumes of sponsored production levels as set by the Ministry of the Economy of the Republic of Lithuania. The suppliers do not agree with the recalculation made by the Company and claim the payment of the invoiced amounts for the PSO energy supplied. With reference to the surrounding circumstances of the dispute, available evidence, arguments and explanations, the dispute might be settled in favour of Lietuvos Energija AB, therefore no provisions in respect of these claims are accounted for the interim financial statements.

In February 2009, Fortis Energy UAB and Kauno Termofikacinė Elektrinė UAB filed a claim of LTL 596 thousand against the Company concerning the terms and conditions of an agreement for 2009. UAB Fortis has also filed a claim of LTL 3,126 thousand for the repayment of funds received under the agreement on the services of the electricity transmission dated 10 October 2007. Both disputes – over the performance of agreement of 10 October 2007 and the terms of the 2009 agreement – are pending in court. With reference to the surrounding circumstances of the disputes, available evidence, arguments and explanations on claims raised by the other party to the dispute, it is unlikely that a reliable estimate of the outcome of the dispute and its impact on the Company's future activities can be made at the current moment.

Commitment to transfer Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant

Under the agreement concluded by the shareholders of LEO LT, AB – the State of Lithuania represented by the Ministry of the Economy and NDX Energija UAB, in the process of formation of LEO LT, AB group (a national electric power company), the shares of Lietuvos Energija AB were contributed into the capital of LEO LT, AB as disclosed in Note 1. Also, the shareholders agreed that the net assets of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant have to be separated from Lietuvos Energija AB into separate legal entities and the shares of these newly established entities are to be transferred to the State of Lithuania for a symbolic fee of 1 LTL by 27 May 2010.

The agreement allows the Company to use Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant in its operations until the date of the transfer taking into account the restrictions imposed by the agreement, e.g. the Company has to operate the assets in the same manner as until the agreement was signed, but its ability to acquire new assets or assume obligations related to power stations' assets is limited and the Company can invest in assets or maintenance of the assets up to LTL 250 thousand unless otherwise agreed between the shareholders of LEO LT, AB in advance. In addition the Company shall continue the modernisation of the power plants as pre-approved by the agreement: upon the separation of the power plants into separate legal entities for the purpose of their transfer to the State, the new legal entities will have to assume obligations to compensate Lietuvos Energija AB for the expenditures incurred after 1 January 2008 until the date of the transfer under the power plant modernisation contract specified in the agreement.

Management of the Company started the preparation of the reorganisation plan for the separation of the power plants as provided by the agreement of the shareholders of LEO LT, AB and has identified assets that are to be transferred to the State: the total carrying value of these assets still accounted for in the Company's and the Group's statement of financial position as at 30 June 2009 LTL 565 million which comprise of mainly non-current tangible assets of LTL 564 million (as at 31 December 2008 - LTL 570 million and LTL 569 million respectively as disclosed in Note 5). However, until the date of the issue of these interim financial statements management of Lietuvos Energija AB as well as LEO LT, AB were unable to identify the liabilities that are to be transferred together with these assets, because the terms of the agreement are not sufficiently clear on the matter and can be interpreted in different ways resulting in extremely different values of the liabilities to be transferred: ranging from LTL 69 million to LTL 573 million (ignoring the time value) according to unaudited data (as at 31 December 2008 – from LTL 15 million to LTL 575 million). In addition, the related unrecorded compensation receivable for modernisation works carried out before 30 June 2009 as described in the paragraph above amounts to LTL 26 million (31 December 2008 - LTL 25 million).

34 Contingent liabilities and commitments (continued)

Taking into account the fact that the value of the net assets to be transferred to the State can not be reasonably estimated as of the date of these interim financial statements as described above, management has not recorded any liability in respect of this obligation. This obligation will be recorded when the amount can be estimated reducing the equity of the Company and the Group accordingly.

Contingency in respect of determination of the value of property, plant and equipment used in the licensed activities

At the date of these interim financial statements, a significant uncertainty exists relating to the recoverable amount of property, plant and equipment (as defined by International Accounting Standard No. 36) used by the Company and Group in carrying out licensed activities under regulated service prices and tariffs.

On 1 June 2009 Law No. XI-198 amending Articles 2, 5, 6, 43, 44 and 48 of the Lithuanian Law on Electricity of 19 March 2009 became effective. The amended law requires the regulatory authority to prepare the principles of determination of the value of property, plant and equipment used in the licensed activities and the Lithuanian Government to approve these principles. As at the date of these interim financial statements, these principles have not been approved.

Prior to the amendment to the aforementioned law, determination of regulated prices and tariffs applicable to the Company and Group was based on the balance sheet value of property, plant and equipment used in the licensed activities of the service provider as reported in the financial statements. The effect of such provision of the law was to ensure that the recoverable amount of the property, plant and equipment could not be less than its balance sheet value. The amended law provides no such assurance.

As a result of the above uncertainty, the management of the Company and Group is unable to assess what impact the new principles of determination of the value of property, plant and equipment used in the licensed activities will have on the recoverable amounts of property, plant and equipment of the Company and Group and on tariff setting.

35 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 introduced in the objectives, policies or processes of capital management as at 30 June 2009 and 31 December 2008.

According to the Law on Companies of the Republic of Lithuania, equity of the Group and the Company must account for at least ½ of the amount of the authorised capital. No other external capital requirements have been imposed on the Group and the Company. As at 30 June 2009 and 31 December 2008, the Group and the Company were not in breach of the above mentioned requirement.

36 Post-balance sheet events

On 9 July 2009, Lithuania, Latvia and Sweden signed a memorandum on a non-commercial infrastructure project intended to interconnect the electric power markets of the Baltic countries and Northern Europe. Public institution the Central Project Management Agency (CPMA), on behalf of the consortium formed with Lietuvos Energija AB, Latvenergo (Latvia) and Svenska Kraftnat (Sweden) signed the memorandum consolidating their the aim to implement the project. The objective of the project to be completed in spring of 2016 is to interconnect the electricity transmission systems of Lithuania and Sweden by laying a 350 km length cable along the bottom of the Baltic Sea equipped with electricity converters in both countries. A preliminary cost of the project ranges from EUR 516 million to EUR 738 million. On 15 July 2009, Lithuania, Latvia and Sweden submitted an application to the European Commission for the provision of funding to NordBalt project. The application was submitted by public institution the Central Project Management Agency, on behalf of the consortium formed with Lietuvos Energija AB, Latvenergo (Latvia) and Svenska Kraftnat (Sweden). The project is expected to receive the EU financial support in the amount of EUR 175 million with EUR 44 million of support allocated to local networks of Latvia and EUR 131 million designated to interconnect the systems of Sweden and Lithuania.

On 29 July 2009 the Company approved LTL 3,000 thousand loan for working capital to subsidiary Kauno energetikos remontas UAB and rescheduled repayment of the loan of LTL 1,500 thousand till 31 December 2010.