



ELEKTROS PERDAVIMO SISTEMOS OPERATORIUS

To The Securities Commission of the Republic of Lithuania
Konstitucijos pr. 23
LT-08105 Vilnius

May 31, 2011 No. SD-1983

CONFIRMATION OF RESPONSIBLE PERSONS

Referring to the provisions of the 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, we, the undersigned Virgilijus Poderys, Chief Executive Officer, Remigijus Vainius, Director of Finance and Commerce Department and Tatjana Didikienė, Chief Financier of LITGRID AB, hereby confirm that, to the best of our knowledge, the unaudited interim consolidated financial statements of LITGRID AB for the period ended 31 March 2011 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the LITGRID AB and consolidated group assets, liabilities, financial position, losses and cash flows for the relevant period.

Virgilijus Poderys

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Chief Executive Officer

Remigijus Vainius

A handwritten signature in black ink, appearing to read "Vainius".

Director of Finance and Commerce
Department

Tatjana Didikienė

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Chief Financier



LITGRID AB

CONSOLIDATED AND COMPANY'S
INTERIM CONDENCED
FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2011
(UNAUDITED)

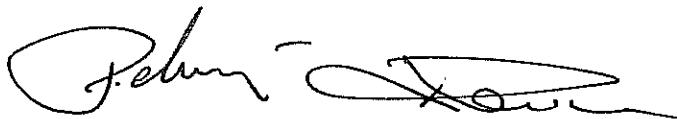
LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

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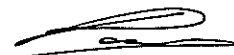
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The interim financial information were signed on 31 May 2011.



Virgilijus Poderys
General Director

Remigijus Vainius
Director of Finance and Commerce
Department



Tatjana Didikienė
Chief Financier

LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2011

(All amounts in LTL thousand unless otherwise stated)

	Note	Group as at 31 March 2011	Company as at 31 March 2011	Group as at 31 December 2010	Company as at 31 December 2010
Non-current assets:					
Intangible assets	4	1,592	1,551	1,750	515
Property, plant and equipment	5	2,039,805	2,035,472	2,063,451	2,051,554
Prepayments for property, plant, equipment		48,741	48,741	698	698
Investment property	6	663	663	668	1,583
Investments in subsidiaries	7	-	8,608	-	18,038
Investments in associates and joint ventures	7	20,847	21,332	20,323	19,032
Deferred income tax assets		321	-	325	-
Other financial assets	8	1,084	1,084	1,084	910
Total non-current assets		2,113,053	2,117,451	2,088,299	2,092,330
Current assets:					
Inventories		4,926	1,781	3,703	1,750
Prepayments		1,258	3,616	805	57
Trade receivables	9	114,911	105,114	139,485	13,424
Other accounts receivable	10	524	532	10,437	1,639
Term deposits		63,000	63,000	43,000	-
Cash and cash equivalents	11	55,690	42,094	75,664	42,161
Total current assets		240,309	216,137	273,094	59,031
TOTAL ASSETS		2,353,362	2,333,588	2,361,393	2,151,361
EQUITY AND LIABILITIES					
Capital and reserves:					
Share capital	12	504,331	504,331	504,331	504,331
Share premium	12	29,621	29,621	29,621	29,621
Revaluation reserve		289,849	289,849	296,353	296,353
Legal reserve	13	47,730	47,665	47,730	47,665
Retained earnings		1,048,982	1,052,563	1,047,454	982,423
Equity attributable to owners of the parent company		1,920,513	1,924,029	1,925,489	1,860,393
Non-controlling interest		3,378	-	3,359	-
Total equity		1,923,891	1,924,029	1,928,848	1,860,393
Non-current liabilities:					
Grants	14	67,153	67,153	42,349	42,349
Deferred income	15	15,236	15,236	15,417	15,417
Other non-current accounts payable and liabilities		475	454	459	234
Deferred income tax liabilities		190,224	190,224	193,627	193,627
Total non-current liabilities		273,088	273,067	251,852	251,627
Current liabilities:					
Trade payables	16	106,253	98,078	134,330	22,548
Advance amounts received	17	11,173	1,835	11,298	1,724
Income tax payable		21,477	21,220	12,693	321
Other accounts payable and liabilities	18	17,480	15,359	22,372	14,748
Total current liabilities		156,383	136,492	180,693	39,341
Total liabilities		429,471	409,559	432,545	290,968
TOTAL EQUITY AND LIABILITIES		2,353,362	2,333,588	2,361,393	2,151,361

The accompanying notes form an integral part of the interim financial information

LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM ESTABLISHMENT TO 31 MARCH 2011
(All amounts in LTL thousand unless otherwise stated)

	Note	Group January- March 2011	Company January- March 2011
Revenue			
Sales revenue	19	101,551	101,539
Other operating income		6,930	831
		108,481	102,370
Operating expenses			
Purchase of electricity or related services		(34,062)	(34,668)
Depreciation and amortisation		(33,482)	(33,199)
Purchase of capacity reserve		(15,577)	(15,577)
Wages and related expenses		(7,842)	(3,766)
Repair and maintenance expenses		(6,190)	(6,535)
Transit expenses		(2,994)	(2,994)
Write-offs of property, plant and equipment		(484)	(484)
Other expenses		(8,721)	(6,256)
Total operating expenses		(109,352)	(103,479)
OPERATING PROFIT (LOSS)		(871)	(1,109)
Finance income		642	592
Finance (costs):		(2)	(2)
Share of results of activities of associates and joint ventures	7	524	-
		1,164	590
PROFIT (LOSS) BEFORE INCOME TAX		293	(519)
Current year income tax expense		(8,635)	(8,557)
Deferred tax income/(expense)		3,295	3,325
		(5,340)	(5,232)
PROFIT (LOSS) FOR THE PERIOD		(5,047)	(5,751)
Other comprehensive income			
Other comprehensive income, net of deferred income tax		5	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(5,042)	(5,751)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(5,033)	(5,751)
Non-controlling interest		(14)	-
		(5,047)	(5,751)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(5,028)	(5,751)
Non-controlling Interest		(14)	-
		(5,042)	(5,751)
Basic and diluted earnings per share (in LTL)	21	(0.01)	-

The accompanying notes form an integral part of the interim financial information

LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2011
(All amounts in LTL thousand unless otherwise stated)

Group	Note	Equity attributable to owners of the Company						Non-controlling interest	Total equity
		Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total		
Balance at 31 December 2010		504,331	29,621	296,353	47,730	1,047,454	1,925,489	3,359	1,928,848
Other transfers to/from the reserves		-	-	-	-	52	52	33	85
Depreciation of revaluation reserve and amounts written off		-	-	(6,504)	-	6,504	-	-	-
Comprehensive income		-	-	-	-	(5,028)	(5,028)	(14)	(5,042)
Balance at 31 March 2011		504,331	29,621	289,849	47,730	1,048,982	1,920,513	3,378	1,923,891
Company	Note	Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total		
Balance at 31 December 2010		504,331	29,621	296,353	47,665	982,423	1,860,393		
The result of merger (accounted directly in equity)	22	-	-	-	-	69,387	69,387		
Depreciation of revaluation reserve and amounts written off		-	-	(6,504)	-	6,504	-		
Comprehensive income		-	-	-	-	(5,751)	(5,751)		
Balance at 31 March 2011		504,331	29,621	289,849	47,665	1,052,563	1,924,029		

The accompanying notes form an integral part of the interim financial information

LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM ESTABLISHMENT TO 31 MARCH 2011

(All amounts in LTL thousand unless otherwise stated)

	Note	Group as at 31 March 2011	Company as at 31 March 2011
Cash flows from operating activities			
Profit (loss) for the period		(5,042)	(5,751)
Reversal of non-monetary expenses (income):			
Depreciation and amortisation expense	4,5,6	33,956	33,426
Share of profit of associates and joint ventures	7	(524)	-
Income tax expense		8,784	4,597
Change in deferred tax liability		(1,735)	(1,662)
(Income) from grants	14	(474)	(474)
Loss on write-off of property, plant and equipment (except financial assets)	5	493	493
Elimination of results of financing and investing activities:			
- Interest (income)		(368)	(368)
Changes in working capital			
(Increase) decrease in trade receivables and other amounts receivable		34,487	19,515
(Increase) decrease in inventories and prepayments		(1,676)	(3,056)
Increase (decrease) in accounts payable and advance amounts received		(19,138)	(21,597)
Net cash used in operating activities		48,763	25,123
Cash flows from investing activities			
(Purchase) of property, plant and equipment and intangible assets		(49,105)	(48,967)
Interest received		368	368
Term deposits		(20,000)	10,000
Net cash used in investing activities		(68,737)	(38,599)
Cash flows from financing activities			
Result of merger	22	-	13,409
Net cash used in financing activities		-	13,409
Net increase (decrease) in cash flows		(19,974)	(67)
Cash and cash equivalents at beginning of the period		75,664	42,161
Cash and cash equivalents at end of the year		55,690	42,094

The accompanying notes form an integral part of the interim financial information

LITGRID AB
Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

NOTES TO THE FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 MARCH 2011
(All amounts in LTL thousand unless otherwise stated)

1. General information

LITGRID AB (before March 14, 2011 the name of the company was LITGRID Turtas AB) is a public company registered in the Republic of Lithuania. The address of its registered office is A. Juozapavičiaus St. 13, LT-09311, Vilnius, Lithuania. LITGRID AB (hereinafter referred to as the "Company") is a limited liability profit-seeking entity registered with the Register of Legal Entities managed by the public Institution Registrų Centras on 16 November 2010. The Company's code is 302564383, VAT payer's code is LT100005748413.

After the Extraordinary General Meeting of Shareholders of Lietuvos Energija AB held on 28 October 2010 approved the unbundling of Lietuvos Energija AB, the amended Articles of Association of Lietuvos Energija AB which continues its activities after the spin-off were registered with the Register of Legal Entities on 16 November 2010 along with those of the new company LITGRID Turtas AB, established on the basis of the separated part of Lietuvos Energija AB. The newly established company is engaged in activities that were assigned to it after the spin-off.

The purposes of the activities of the Company shall be to ensure, within the limits of its competence, the stability and reliability of the electricity system in the territory of the Republic of Lithuania, to provide objective and non-discriminatory conditions for use of the transmission grid, to manage, use and dispose of the assets of the electricity transmission system and their appurtenances, to manage companies performing the functions and activities of the electricity market operator, as well as companies holding the ownership of electricity interconnections with other countries or which develop, manage, use or dispose of them.

The unbundling of Lietuvos Energija AB was carried out in the manner prescribed in paragraph 1 of Article 71 of the Lithuanian Law on Companies, i.e. when a part of the company, which continues its activities, is separated and on the basis of assets, rights and obligations assigned to this separated part one or several new companies of the same legal form are established. The unbundling was performed by separating part of Lietuvos Energija AB as an aggregate of assets, rights and obligations representing an autonomous economic unit in terms of organisation, engaged in activities and able to perform its functions at its own discretion which is the basis for the establishment of a new company LITGRID Turtas AB.

The aim of unbundling (spin-off) was to ensure the compliance of the activity model of the Lithuanian electricity sector with the national energy strategy, the requirements of the third legislative package for the European Union energy meant for liberalisation of electricity and gas markets, to create conditions for connection of the Lithuanian electricity system with the electricity networks of the continental Europe and to ensure the financing of strategic energy projects. It was also aimed at creation of conditions for legal independence of the electricity transmission activity and its effective separation from other activities of the electricity sector, thus implementing one of the selected alternatives of separation of the electricity sector established by the third legislative package for the EU energy, i.e. ownership unbundling, ensuring effective separation of electricity transmission activity not only from electricity generation and supply, but also from distribution activities and their commercial interests, i.e. rearrange the vertically integrated energy companies operating in the electricity sector.

Under the terms and conditions of the reorganisation of Lietuvos Energija AB approved by the decision of the Extraordinary General Meeting of Shareholders dated 28 October 2010, a transfer-acceptance act was signed on 1 December 2010, on the basis of which the Company took over a part of assets, rights and obligations of Lietuvos Energija AB assigned to the separated part as defined in the spin-off conditions of the Company.

With effect from 1 January 2010, the function of the transmission system operator had been carried out by the Company's subsidiary LITGRID AB. Under the requirements of the EU legislative acts on the liberalisation of electric power market, subsidiaries of Lietuvos Energija AB established for the purpose of separating specific activities were issued activity licenses on 28 December 2009. The company LITGRID AB was granted a license of the electricity transmission system operator and the company BALTPOOL UAB was granted a license of the electricity market operator.

On 24 January 2011, the extraordinary general meeting of shareholders of it was convened where shareholders of LITGRID Turtas AB approved the terms and conditions of the reorganisation of LITGRID Turtas AB and LITGRID AB and resolved to reorganise LITGRID Turtas AB and LITGRID AB by way of merger pursuant to paragraph 3 of Article 2.97 of the Lithuanian Civil Code and the reorganisation terms and conditions of LITGRID Turtas AB and LITGRID AB by merging LITGRID AB, which ceases its activities after the reorganisation, with LITGRID Turtas AB, which continues its activities after the reorganisation and to which all assets, rights and obligations of LITGRID AB will be transferred. Final balance sheet of incorporated LITGRID AB is presented in note 22.

On 24 February 2011 Company was granted a license of the electricity transmission system operator, valid from the date of reorganization, 1 March, when the license of subsidiary LITGRID AB was stopped.

On 14 March 2011, new version of the statute of LITGRID AB was registered in the Register of Legal Entities, and the name of the Company LITGRID turtas AB was changed to LITGRID AB.

LITGRID AB
Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

NOTES TO THE FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 MARCH 2011
(All amounts in LTL thousand unless otherwise stated)

As at 31 March 2011, the authorised share capital of the Company amounted to LTL 504,331,380 and was divided into 504,331,380 ordinary registered shares with par value of LTL 1 per share. All shares are fully paid.

	Ownership interest (LTL)	Number of shares held (%)
Visagino Atominė Elektrinė UAB	491,736,153	97.5 %
Other shareholders	12,595,231	2.5 %
Total	504,331,380	100 %

The ultimate controlling party of Visagino Atominė Elektrinė UAB is the Ministry of Energy of the Republic of Lithuania.

These financial statements include the consolidated financial statements of the Group and the separate financial statements of the Company.

As of the date of these financial statements the Group consisted of LITGRID AB and the following directly and indirectly controlled subsidiaries:

Company	Address of the company's registered office	Share- holding of the Group at 31 March 2011	Share capital at 31 March 2011	Profit (loss) for 2011	Equity at 31 March 2011	Principal activities
BaltPool UAB (controlled through LITGRID AB)	A. Juozapavičiaus g. 13, Vilnius	100 %	318	215	444	Activities related to the electricity market operator
TETAS UAB	Senamiesčio g. 102B, Panevėžys	61 %	5,651	28	12,914	Transformer substation, distribution station design, construction, repair and maintenance services
Energetikos Pajėgos UAB (controlled through TETAS UAB)	T.Masiulio g. 16D, Kaunas	61 %	430	(68)	733	Designing of power facilities

The Group's investments in the associates and the joint venture as at 31 March 2011 is as follows:

Company	Address of the company's registered office	Shareholding of the Group at 31 March 2011	Share capital at 31 March 2011	Principal activities
Technologijų ir Inovacijų Centras UAB	Žvejų g. 14, Vilnius	35 %	44,350	IT services
Elektros Tinklo Paslaugos UAB	Motorų g. 2, Vilnius	29 %	16,388	Power network and related equipment repair, maintenance and construction services
LitPol Link Sp.z.o.o	Wojciecha Gorskiego 900-033 Warsaw, Poland	50 %	1,743	Designing of electricity transmission interconnection facilities

As at 31 March 2011, the Group had 617 employees (31 December 2010: 618), whereas the Company had 206 employees (31 December 2010: 113).

NOTES TO THE FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 MARCH 2011
(All amounts in LTL thousand unless otherwise stated)

2. Basis of preparation

This interim financial information was prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting').

This interim financial information was prepared on a historical cost basis, except for property, plant and equipment which is recorded at revaluated amount, less accumulated depreciation and estimated impairment loss.

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

3. Accounting policies

Accounting policies applied in preparing the financial statements are consistent with those that were applied in preparing the financial statements of Company's of the previous financial years except as follows:

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

IFRIC 18, 'Transfers of Assets from Customers' (effective prospectively to transfers of assets from customers received on or after 1 July 2009; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009. The Company and the Group adopted this new interpretation in the preparation of the annual financial statements (see paragraph 3.22 of the accounting policies).

IAS 27, Consolidated and Separate Financial Statements (revised in January 2008), effective for annual periods beginning on or after 1 July 2009. The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. The amendment did not have any significant effect on the Group's financial statements.

IFRS 3, Business Combinations (revised in January 2008), effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Company and the Group are currently assessing the impact of the amended standard on the financial statements. The amendment did not have any significant effect on the Group's financial statements.

3. Accounting policies (*continued*)

3.2 New and/or amended standards and interpretations adopted for the current accounting period, but not relevant for the Group and the Company

Eligible Hedged Items—Amendment to IAS 39, effective with retrospective application for annual periods beginning on or after 1 July 2009.

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

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

IFRIC 12, Service Concession Arrangements, effective for annual periods beginning on or after 30 March 2009.

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

IFRIC 16, Hedges of a Net Investment in a Foreign Operation, effective for annual periods beginning on or after 1 July 2008;

IFRIC 17, Distributions of Non-Cash Assets to Owners, effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 July 2009.

IFRS 1, First-time Adoption of International Financial Reporting Standard. Revised standard in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009; early adoption is allowed.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, effective for annual periods ending on or after 31 December 2009.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, effective for annual periods beginning on or after 1 January 2010.

IFRS 1, First-time Adoption of International Financial Reporting Standards. Revised in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009; early adoption is allowed.

Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1), effective for annual periods beginning on or after 1 July 2009.

3. Accounting policies (*continued*)

3.3 New and/or amended standards and interpretations issued, effective from 1 January 2011 or later, and not early adopted by the Group and the Company

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

IFRS 9, Financial Instruments Part 1: Classification and Measurement, issued in November 2009. Amended standard, effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The Group and the Company are considering the implications of the standard and the timing of its adoption.

Classification of Rights Issues - Amendment to IAS 32, effective for annual periods beginning on or after 1 February 2010. This amendment does not have any impact on the Group's and Company's financial statements.

Prepayments of a Minimum Funding Requirement - Amendment to IFRIC 14, effective for annual periods beginning on or after 1 January 2011; The amendment does not have any effect on the Group's and the Company's financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). The amendment does not have any effect on the Group's and the Company's financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS (effective for annual periods beginning on or after 1 July 2010). The amendment does not have any effect on the Group's and the Company's financial statements.

Improvements to International Financial Reporting Standards, issued in May 2010; effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2010; the improvements have not yet been adopted by the EU.

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

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

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

3. Accounting policies (*continued*)

3.4 Consolidation principles

The consolidated financial statements of the Group include LITGRID turtas AB and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period, using uniform accounting policies.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies are eliminated. For the purpose of preparation of the group's consolidated financial statements total comprehensive income of subsidiaries was attributed to owners of the parent company from acquisition date, i.e. from the date when effective control was transferred to the Company.

3.5 Business combinations

Acquisition of subsidiaries, except for acquisitions between jointly controlled companies, is accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the consideration given, which includes assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree of net assets.

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

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

3.6 Investments in subsidiaries (the Company)

Subsidiary is an entity directly or indirectly controlled by a parent company accompanying a shareholding of more than half of the voting rights. In the parent company's statement of financial position investments in subsidiaries are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount. Cost also includes direct attributable costs of investment.

3.7 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 influence is an ability to take part in making financial and operating policy decisions but is not control or joint control over those policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity.

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

In the consolidated financial statements of the Group results of activities of associates and joint ventures are accounted at equity method, except when the investment is classified as held-for-sale, when it is recognised according to IFRS 5 *Non-current assets held for sale and discontinued operations*. Under the equity method, investments in associates or joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the investee, less any impairment in the value of individual investments. The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements other comprehensive income is recognised in other comprehensive income.

Losses of an associate or joint venture in excess of the Group's interest in that associate/joint venture are not recognised, unless the Group has assured legal or constructive obligations or made payments on behalf of the associate/joint venture.

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3. Accounting policies (*continued*)

3.7. Investments in associates and joint ventures (*continued*)

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

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

3.8 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.

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

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

Intangible assets

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

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).

Depreciation and amortisation

Depreciation (amortisation) of property, plant and equipment and intangible assets, except construction in progress, is calculated using the straight-line method over estimated useful lives of the asset. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at each year-end to ensure that they are consistent with the expected pattern of economic benefits from these assets. The effect of changes in estimates, if any, is accounted for on a prospective basis. 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 devices	20 - 25
- electricity equipment	15 - 35
- other equipment	5 - 20
Motor vehicles	4 - 10
Other property, plant and equipment:	
- computer hardware and communication equipment	3 - 10
- inventory, tools	4 - 10
Intangible assets	3 - 4

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3. Accounting policies (*continued*)

3. Property, plant and equipment and intangible assets (*continued*)

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

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

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

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

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

3.9 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 the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (without exceeding the sum of previous value impairment) as described in Note 3.8.

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3. Accounting policies (*continued*)

3.10 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. Investment property is depreciated using the same depreciation calculation methods and periods as those applied to property, plant and equipment.

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

3.11 Non-current assets held for sale

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

3.12 Financial assets

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

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

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

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale. After initial recognition available-for-sale financial assets are measured at fair value together with the result of revaluation recognised in revaluation reserve of financial assets, reported under equity. When the securities are disposed of, the related accumulated fair value revaluation is included in the statement of comprehensive income as gain (loss) from sale of available-for-sale securities. Dividends received while holding available-for-sale financial assets is reported as other income in the statement of comprehensive income.

Fair value of available-for-sale financial assets traded in financial markets, is based on available market prices or quotes of brokers for the date closest the date of financial statements. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis.

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.

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3. Accounting policies (*continued*)

3.12. Financial assets (*continued*)

Impairment of financial assets

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

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

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

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

3.13 Inventories

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

3.14 Cash and cash equivalents

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

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

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3. Accounting policies (*continued*)

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

Recognition of Instruments as debt or equity instruments

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

Equity instruments

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

Financial liabilities

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

Other financial liabilities

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

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest rate method (see Note 3.12).

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

Derecognition of financial liabilities

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

3.16 Foreign currency

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

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

At 31 March 2011			At 31 December 2010		
1 LVL	=	4.8679 LTL	1 LVL	=	4.8643 LTL
100 RUB	=	8.6330 LTL	100 RUB	=	8.5535 LTL
10 SEK	=	3.8591 LTL	10 SEK	=	3.8407 LTL
1 USD	=	2.4551 LTL	1 USD	=	2.6099 LTL
			10 EEK	=	2.2067 LTL

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

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

NOTES TO THE FINANCIAL INFORMATION
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3. Accounting policies (continued)

3. Foreign currency (continued)

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

3.17 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. Public Service Obligation fund for strategic projects are considered as grants.

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.

3.18 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.

3.19 Employee benefits

(a) Social security contributions

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

(b) Termination benefits

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

(c) Bonus plans

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

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3. Accounting policies (continued)

3.20 Accounting for lease

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

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

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

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

3.21 Segment information

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

3.22 Income and expense recognition

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

Revenue from sale of electricity

Revenue from sale of electricity acquired at an auction and is recognised when substantially all risks and rewards related to the object of sale have been transferred to the buyer. The Group does not recognise income and expenses from transmission trading at an auction with respect to those transaction in which it acts as an agent.

Revenue from electricity-related services

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

Tariff regulation

Tariffs for the electricity transmission services and public service obligation PSO are regulated by the National Control Commission for Prices and Energy (hereinafter "the Commission") by establishing the upper limit of the tariff for the transmission service and PSO prices. Specific prices and tariffs for the transmission 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.

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

The procedure of public service obligation provision is established in the Public Service Obligations Supply Order Procedure, approved on October 8, 2010 by Ordinance No.1-283 of Minister of Energy of the Republic of Lithuania. 1-283. The Company, as a transmission system operator, under the above-mentioned procedure is the administrator of PSO. The Company administers PSO funds under Public Service Obligation Administration Procedure, approved on December 17, 2010 by the National Control Commission for Prices and Energy (hereinafter – the Commission). The PSO funds are funds, disbursed to the providers of public obligation services. PSO funds are collected from PSO funds payers – electricity consumers. If the funds received from the payers within a calendar year do not match the funds, paid to the PSO providers, the Commission takes into account this discrepancy while adjusting the price composite of PSO for the upcoming year.

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3. Accounting policies (*continued*)

3.22. Income and expense recognition (*continued*)

The company performs only the function of a mediator, by collecting and disbursing PSO funds. In order to correctly illustrate the administration of PSO funds, since January, 2011 the company modified the policy of PSO funds accounting. The Company deems income only a fee for PSO administration service and for balancing costs of PSO funds for electricity generated using renewable energy sources. The discrepancy between the collected and disbursed PSO funds is recognized on the total receivables (payables) of the Company. The impact of PSO funds policy modification on the Company statements is provided in comment 23.

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

Connection of new users

Until 2009 payments received by Lietuvos energija AB 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.

Starting from 2010 (applicable to transactions from 1 July 2009) till the spin-off Lietuvos energija AB and later - the Company recognises such income immediately after the connection of the new user provided that the electricity price to be paid by the new user in future for services rendered/purchased by the Company/Group does not differ from the price paid by other users who have not made payments for connection.

Repair service revenue

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

Other income

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

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

Income and expenses related to the sale and lease of the non-current assets are accounted for as other operating income and expenses by the Group and the Company.

Recognition of expenses

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

3.23 Financing expenses

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

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

3.24 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 deductible Tax rates used to compute Income tax expense are those applicable as of the date of the financial statements. In 2010 and 2011, income tax at a rate of 15 per cent is applicable in Lithuania.

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3. Accounting policies (*continued*)

3.24. Income tax (*continued*)

Deferred income tax

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

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

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

Income tax and deferred tax for the accounting period

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

3.25 Earnings per share

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

As at 31 December 2010 and during the period ended 31 March 2011, the weighted average number of shares, based on which the earnings per share are calculated was 504,331,380. The Company had no dilutive options outstanding, therefore basic and diluted earnings per share do not differ.

3.26 Contingencies

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

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

3.27 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.

3.28 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.

3.29 Offsetting

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

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3. Accounting policies (*continued*)

3.30 Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. The areas where estimates are significant to these financial statements include fair value evaluation and depreciation of property, plant and equipment and investment property (Notes 3.8, 5 and 6), evaluation of impairment for accounts receivable and investments (Notes 3.12, 7, 9 and 10), percentage of completion evaluation for repair service contracts (Note 3.22). Future events may cause the assumptions used in arriving at the estimates to change. The effect of such changes in the estimates will be recorded in the financial statements when determined.

Tax audits

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

Depreciation rates of property, plant and equipment

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

Revaluation of property, plant and equipment

During the spin-off process the Company took over property, plant and equipment from Lietuvos Energija AB. The fair value of property, plant and equipment and investment property of Lietuvos Energija AB as at 31 December 2008 was determined by independent valuers who used a method of comparative prices or depreciated replacement value or discounted cash flows methods to determine the fair value of the assets, depending on the type of asset.

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

On 31 March 2011, the Group and the Company assessed the change in the construction cost indices in respect of relevant categories of assets and changes in prices of industrial real estate during the period from 1 December 2009 to 31 March 2011 published by the Lithuanian Statistics Department. As changes in the index/prices were insignificant, management decided not to reduce carrying amounts of property, plant and equipment.

Impairment of property, plant and equipment

The Group and the Company make an assessment, at least annually, whether there are any indicators that the book value of property, plant and equipment has been impaired. If that is the case, the Group and the Company make an impairment test in accordance with the accounting policy set out in Note 3.9.

The Group and the Company account for property, plant and equipment at fair value in accordance with International Accounting Standard No.16 'Property, plant and equipment'. Fair value of mostly all items of property, plant and equipment of the Group and the Company due to their specific nature is measured using a depreciated replacement cost approach at 31 December 2008.

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

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

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3. Accounting policies (*continued*)

3.30. Critical accounting estimates and judgments (*continued*)

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

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

Management believes that the aforementioned amendments to regulatory legislation may have a significant negative impact on fair value of property, plant and equipment. Due to the reasons specified, values of property, plant and equipment reported in these financial statements may materially differ from those that would be determined if the valuation of assets were performed by independent valuers as required by International Valuation and Accounting Standards. It is probable that such valuation would have a negative effect on the results of the Company' and Group's activities and the shareholders' equity reported in the financial statements for the year 2010 and 2011.

Valuation of fair values of property, plant and equipment as at 31 December 2010 and 31 March 2011 was not performed by independent valuers, as the mentioned amendments to regulatory legislation came in force only on 1 January 2010 and the impact of these amendments on the Group's and the Company's ability to earn income in future periods cannot be reliably estimated.

Impairment of investments in 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 March 2011 based on the judgement of management.

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

As at the date of these financial statements, there was no significant risk that the book amount of assets and liabilities will be subject to important corrections in the next accounting year due to changes in management's assumptions and estimates, except for the adjustments which might be needed due to uncertainties in respect of the determination of the value of property, plant and equipment used in licensed activities as at 31 March 2011, as described above.

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4. Intangible assets

The Group's intangible assets comprised:

Group	Patents and licenses	Computer software	Other intangible assets	Total
At 31 December 2010	-	1,722	28	1,750
Amortisation charge	-	(157)	(2)	(158)
Net book amount	-	1,565	26	1,592
At 31 March 2011				
Cost	1	4,555	34	4,590
Accumulated amortisation	(1)	(2,989)	(8)	(2,998)
Net book amount at 31 March 2011	-	1,566	26	1,592

The Company's intangible assets comprised:

Company	Patents and licenses	Computer software	Other intangible assets	Total
At 31 December 2010	-	504	11	515
Assets received as the result of merger (note 22)	-	1,079	16	1,095
Amortisation charge	-	(58)	(1)	(59)
Net book amount	-	1,525	26	1,551
At 31 March 2011				
Cost	1	4,438	34	4,473
Accumulated amortisation	(1)	(2,913)	(8)	(2,922)
Net book amount at 31 March 2011	-	1,525	26	1,551

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5. Property, plant and equipment

The Group's property, plant and equipment comprised:

Group	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construct-ion in progress	Total
At 31 December 2010	1,961	35,820	1,943,993	1,829	45,563	34,285	2,063,451
Additions	-	-	-	104	147	10,389	10,640
Write-offs	-	-	(488)	-	(5)	-	(493)
Reclassification between groups	-	-	1,371	-	(420)	(951)	-
Depreciation charge	-	(574)	(30,825)	(118)	(2,276)	-	(33,793)
Net book amount At 31 March 2011	1,961	35,246	1,914,051	1,815	43,009	43,723	2,039,805
Cost or revaluated amount	1,961	38,120	2,062,109	2,479	86,531	43,723	2,234,923
Accumulated depreciation	-	(2,729)	(146,833)	(664)	(43,522)	-	(193,748)
Accumulated impairment	-	(145)	(1,225)	-	-	-	(1,370)
Net book amount	1,961	35,246	1,914,051	1,815	43,009	43,723	2,039,805

The Company's property, plant and equipment comprised:

Company	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construct-ion in progress	Total
At 31 December 2010	1,961	34,053	1,943,758	-	37,096	34,686	2,051,554
Assets received as the result of merger (note 22)	-	915	-	-	6,356	-	7,271
Additions	-	-	-	-	118	10,384	10,502
Write-offs	-	-	(488)	-	(5)	-	(493)
Reclassification between groups	-	-	1,371	-	(420)	(951)	-
Depreciation charge	-	(557)	(30,814)	-	(1,991)	-	(33,362)
Net book amount At 31 March 2011	1,961	34,411	1,913,827	-	41,154	44,119	2,035,472
Cost or revaluated amount	1,961	37,065	2,061,735	29	83,593	44,119	2,228,502
Accumulated depreciation	-	(2,509)	(146,683)	(29)	(42,439)	-	(191,660)
Accumulated Impairment	-	(145)	(1,225)	-	-	-	(1,370)
Net book amount	1,961	34,411	1,913,827	-	41,154	44,119	2,035,472

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6. Investment property

	<u>Group</u>	<u>Company</u>
At 31 December 2010	668	1,583
Reclassification to property, plant and equipment as the result of merger (note 22)	-	(915)
Depreciation charge	(5)	(5)
Net book amount at 31 March 2011	663	663
At 31 March 2011	816	1,009
Cost	(153)	(346)
Accumulated depreciation	663	663
Net book amount at 31 March 2011	668	1,583

As estimated by the Company and based on observable market data, the fair value of the investment property of the Group and the Company at 31 March 2011 approximates its carrying amount.

The Group's and the Company's income from lease of investment property amounted to LTL 41 thousand in 2011.

7. Investments

As at 31 March 2011, the Company had direct control over these subsidiaries:

Subsidiary	Cost	Ownership (% of shares)	Impairment	Carrying amount
At 31 March 2011				
TETAS UAB	8,290	61	-	8,290
BALTPOOL UAB	318	100	-	318
Total	8,608		-	8,608

Tetas UAB was established on 8 December 2005. The main activity of the Company is reconstruction, repair and maintenance of average voltage of transformer substations and distribution stations. The Company also carries out works of electricity network relay protection and automation, maintenance works of special electricity equipment, maintenance of wiring up to 1000 W, testing and diagnostics works and testing of protective products

The Company also has an indirect control over BALTPOOL UAB (through LITGRID AB) and Energetikos Pajėgos UAB (through TETAS UAB).

BALTPOOL UAB was established at the end of 2009 to perform the functions of the Lithuanian electricity market operator. The principal activity of BALTPOOL UAB is the organisation of transmission trading.

Energetikos Pajėgos UAB was established on 26 November 2003. The principal activity of Energetikos Pajėgos UAB is engineering of energy objects.

The Company and the Group had investments in associates and joint venture:

At 31 March 2011	<u>Group</u>	<u>Company</u>
Technologijų ir Inovacijų Centras UAB	14,723	15,581
Elektros Tinklo Paslaugos UAB	5,106	4,731
LitPol Link Sp.z.o.o	1,018	1,020
Total	20,847	21,332

For the period ended 31 March 2011 the Group recognised LTL 524 thousand profit from associates and joint venture.

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7. Investments (continued)

The financial position as at 31 March 2011 and operating results of the associates and the joint venture are as follows:

	Assets	Liabilities	Sales revenue	Profit (loss)
Technologijų ir Inovacijų Centras UAB	46,060	8,676	11,271	971
Elektros Tinklo Paslaugos UAB	26,512	7,122	8,893	159
LitPol Link Sp.z.o.o	1,374	374	837	274

The financial position as at 31 December 2010 and operating results of the associates and the joint venture are as follows:

	Assets	Liabilities	Sales revenue*	Profit (loss) for the year*
Technologijų ir Inovacijų Centras UAB	49,460	13,046	4,777	(1,007)
Elektros Tinklo Paslaugos UAB	27,445	8,214	6,605	808
LitPol Link Sp.z.o.o	1,110	375	159	(166)

*Profit (loss) and sales revenue of subsidiaries are presented for December 2010.

8. Other financial assets

As at 31 March 2011, the Group's and the Company's other financial assets designated as held for sale represented shares in the following companies:

	Group at 31 March 2011	Company at 31 March 2011	Group at 31 December 2010	Company At 31 December 2010
UAB NT Valdosi	1,084	1,084	1,084	910
Total	1,084	1,084	1,084	910

The value of financial assets established on the basis of the fair value less costs to sell did not significantly differ from its carrying amount at the year-end.

9. Trade receivables

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

	Group at 31 March 2011	Company at 31 March 2011	Group at 31 December 2010	Company At 31 December 2010
Receivables for electricity sold	46,519	40,290	130,057	-
Receivables for PSO (note 3.22)	64,824	64,824	-	-
Receivables for contractual works and other services	3,568	-	9,030	-
Unbilled revenue from electricity-related sales	-	-	398	-
Amount receivable for lease and maintenance of the network	-	-	-	13,424
Total	114,911	105,114	139,485	13,424

The fair value of trade receivables approximates their carrying amounts.

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9. Trade receivables (continued)

As at 31 March 2011 and 31 December 2010, the Group and the Company had no impaired accounts receivable.

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

	Group at 31 March 2011	Company at 31 March 2011	Group at 31 December 2010	Company At 31 December 2010
Not past due	106,823	101,405	130,368	13,424
Past due up to 30 days	7,451	3,709	8,547	-
Past due from 30 to 60 days	517	-	570	-
Past due from 60 to 90 days	23	-	-	-
Past due more than 90 days	97	-	-	-
Total	114,911	105,114	139,485	13,424

10. Other receivables

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

	Group at 31 March 2011	Company at 31 March 2011	Group at 31 December 2010	Company At 31 December 2010
Receivables for lease of assets	296	296	341	341
Accrued interest receivable	181	181	72	-
Other receivables	47	55	-	-
Other receivables of asset management fee	-	-	7,237	17
Other accrued receivables	-	-	1,512	-
VAT receivable from the budget	-	-	1,274	1,274
Receivables for IT and telecommunications services	-	-	1	7
Total	524	532	10,437	1,639

As at 31 March 2011 and 31 December 2010, the Group and the Company had no impaired other accounts receivable. All other receivables were not past due at the end of the reporting period.

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

11. Cash and cash equivalents

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

	Group at 31 March 2011	Company at 31 March 2011	Group at 31 December 2010	Company At 31 December 2010
Cash at bank and in hand	43,569	42,094	66,623	42,161
Guarantee on the fulfilment of obligations (Note 17)	12,121	-	9,041	-
Total	55,690	42,094	75,664	42,161

The fair values of the Group's and the Company's cash and guarantees on the fulfilment of obligations approximate their carrying amounts.

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12. Share capital and share premium

As at 31 March 2011, the share capital of the Company was LTL 504,331,384 and it was divided into 504,331,384 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The highest share price at the Stock Exchange session in 2010 was LTL 2.84 per share, the lowest – LTL 2.32 per share. The number of shareholders as at 31 March 2011 was 6,016 (as at 31 December 2010 was 6,020).

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

Share premium, received during spin-off, amount to LTL 29,621 thousand. Until the spin-off the share premium was formed during increase in share capital of Lietuvos energija AB as a difference between the shares nominal value and the proceeds received.

The Company manages its capital structure and makes the adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares.

According to the Law on Companies of the Republic of Lithuania, equity of the Company must account for at least ½ of the amount of the authorised share capital. No other external capital requirements have been imposed on the Company. As at 31 March 2011, the Company was not in breach of the above mentioned requirement.

13. Legal reserve

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital. During the spin-off process the legal reserve established at the Group and at the Company amounted to LTL 47,730 thousand and LTL 47,665 thousand, respectively.

14. Grants

The grants balance consists of grants related to the financing of assets acquisition. As at 31 March 2011 PSO funds for the strategic projects were received the amount of 23,008 thousand LTL, including 15,338 thousand LTL received during the merger of LITGRID AB. Movements in grants in 2011 are as follows:

	<u>Group</u>	<u>Company</u>
Balance at the beginning of the period	42,349	42,349
Grants received	25,278	25,278
Utilised during the period	(474)	(474)
Balance at 31 March 2011	67,153	67,153

15. Deferred income

	<u>Group at 31 March 2011</u>	<u>Company at 31 March 2011</u>	<u>Group at 31 December 2010</u>	<u>Company At 31 December 2010</u>
Deferred income from new users (note 19)	15,236	15,236	15,417	15,417
Total	15,236	15,236	15,417	15,417

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16. Trade payables

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

	Group at 31 March 2011	Company at 31 March 2011	Group at 31 December 2010	Company At 31 December 2010
Amounts payable for PSO energy supplied	56,706	56,706	46,180	-
Amounts payable for electricity	21,975	16,019	42,433	-
Amounts payable for contractual works, other services	13,771	14,079	24,371	22,298
Accrued liability for electricity	6,960	6,827	15,445	-
Amounts payable for lease and maintenance of transmission network, other services	2,770	2,770	555	-
Amounts payable for material values	2,467	73	3,796	250
Amounts payable for electricity transit	1,604	1,604	1,339	-
Turnover fee payable to Nordpool	-	-	211	-
Total	106,253	98,078	134,330	22,548

The fair value of trade payables approximates their carrying amounts.

17. Prepayments

The Group's and the Company's prepayments received consisted of the following:

	Group at 31 March 2011	Company at 31 March 2011	Group at 31 December 2010	Company At 31 December 2010
Guarantee on fulfilment of obligations	9,121	-	9,041	-
Other prepayments received	2,052	1,835	2,257	1,724
Total	11,173	1,835	11,298	1,724

According to the Lithuanian Day Ahead Electricity Market Regulations in order to ensure the fulfilment of obligations the electricity market participants are required to present to BALTPPOOL UAB a bank guarantee on the fulfilment of their obligations not later than within 10 (ten) working days before the commencement date of the trading session and/or provide a monetary collateral. Monetary collaterals received from market participants amounted to LTL 9,121 thousand as at 31 March 2011 (LTL 9,041 thousand as at 31 December 2010).

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18. Other accounts payable

As at 31 March 2011 and 31 December 2010, other accounts payable of the Group and the Company are as follows:

	Group at 31 March 2011	Company at 31 March 2011	Group at 31 December 2010	Company At 31 December 2010
Advances received from new users	8,372	8,372	13,546	13,546
VAT payable to the budget	4,772	4,483	4,869	-
Employment-related liabilities	2,443	987	1,054	182
Costs relating to accrued vacation reserve	879	842	1,404	461
Accrued other charges	574	491	1,153	344
Real estate tax payable	160	160	199	197
Other payables and current liabilities	280	24	147	18
Total	17,480	15,359	22,372	14,748

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

Advances received from new users represent advances received from new users for connection to electricity networks. These advances will be recognised as income upon the provision of connection services.

19. Sales revenue

The Group's and the Company's sales revenue consists of revenue from sale of electricity and related services. Sales revenue for the period from ended 31 March 2011 is presented below:

	Group at 31 March 2011	Company at 31 March 2011
Electricity transmission service	55,233	55,233
Domestic sales of electricity (excluding PSO)	23,785	23,785
Capacity reserve	15,264	15,264
Other sales of electricity and related services	4,284	4,272
Revenue from connection of new users *	1,831	1,831
Public service obligations (PSO)	1,154	1,154
Total	101,551	101,539

* The Company and the Group accounted for LTL 15,236 thousand of deferred income related to the connection of new users and LTL 8,372 thousand of related advances received from new users for connection to electricity networks which are reclassified to income upon the provision of connection services. For the period ended at 31 March 2011 the Company/Group recognised income of LTL 1,831 thousand from connection of new users.

20. Related-party transactions

The Group's transactions with related parties during 2011 and the balances arising on these transactions as at 31 March 2011 are presented below:

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Entities controlled by the Ministry of the Energy of the Republic of Lithuania	46,315	91,198	148,032	336,402
Group's associates	78	2,833	6,870	257
Parent company (Visagino atomine elektrine UAB)	-	-	-	-
Total	46,393	94,031	154,902	336,659

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20. Related-party transactions (continued)

The Company's transactions with related parties conducted during 2011 and the balances arising on these transactions as at 31 March 2011 are presented below:

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Entities controlled by the Ministry of the Energy of the Republic of Lithuania	38,723	81,621	99,617	215,301
Company's subsidiaries	2,102	3,042	12,375	34
Company's associates	72	2,795	6,862	227
Parent company (Visagino atominė elektrinė UAB)	-	-	-	-
Total	40,897	87,458	118,854	215,562

The major related-party sale and purchase transactions in 2011 represented transactions with the entities controlled by the Ministry of Energy of the Republic of Lithuania: AB LESTO and Lietuvos Elektrinė AB. The Group mainly purchases electricity, a capacity reserve service and PSO services from these entities. Sales transactions mainly included sales of electricity, capacity reserve service, electricity transmission services and PSO services.

Payments to key management personnel

	Group at 31 March 2011	Company at 31 March 2011
Employment-related payments	474	136
Termination benefits		
Other material amounts calculated for key management personnel		
Number of key management personnel	15	3

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

21. Basic and diluted earnings per share

In 2011, basic and diluted earnings per share were as follows:

	at 31 March 2011
Net profit (loss) attributable to the Group's shareholders (thousands, LTL)	(5,033)
Weighted average number of shares (units)	504,331,380
Basic and diluted earnings per share (in LTL)	(0.01)

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22. Business combinations

Based on the reorganisation terms and conditions of LITGRID Turtas AB and LITGRID AB approved by the decisions of the extraordinary general meetings of shareholders of LITGRID AB and LITGRID Turtas AB dated 24 January 2011, a transfer-acceptance act was signed between LITGRID AB and LITGRID Turtas AB. On the basis of this transfer-acceptance act LITGRID Turtas AB took over all assets, rights and obligations of LITGRID AB in the manner prescribed in the reorganisation terms and conditions of LITGRID AB and LITGRID Turtas AB on 1 March 2011.

Final balance sheet of incorporated LITGRID AB is presented below:

	LITGRID AB at 31 March 2011
ASSETS	
Non-current assets	
Intangible assets	1,095
Property, plant and equipment*	6,356
Investments in subsidiaries	318
Deferred income tax assets	79
Other financial assets	2,474
Total non-current assets	10,322
Current assets	
Prepayments	534
Trade receivables	106,906
Other receivables	3,192
Term deposits	73,000
Cash and cash equivalents	17,700
Total current assets	201,332
TOTAL ASSETS	211,654
EQUITY AND LIABILITIES	
Capital and reserves	
Share capital	9,748
Retained earnings (deficit)	73,679
Total equity	83,427
Non-current liabilities	
Grants	15,338
Other non-current accounts payable and liabilities	204
Total non-current liabilities	15,542
Current liabilities	
Trade payables	89,276
Advance amounts received	32
Payable income tax	16,302
Other accounts payable	7,075
Total current liabilities	112,685
Total liabilities	128,227
TOTAL EQUITY AND LIABILITIES	211,654

NOTES TO THE FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 MARCH 2011
(All amounts in LTL thousand unless otherwise stated)

23. Changes of accounting policies related to PSO

Group/Company Revenue, Operating expenses and operating profit (loss) are presented below. As administrator of PSO funds Company collected 139,748 thousand LTL and paid 128,176 thousand LTL. The difference of collected and paid PSO funds is 11,572 thousand LTL. This amount is recorded as payable amount.

	Before adjustment			After adjustment	
	Group January- March 2011	Company January- March 2011	Adjustmen t related to PSO	Group January- March 2011	Company January- March 2011
Revenue					
Sales revenue	241,299	241,287	(139,748)	101,551	101,539
Other operating revenue	6,930	831	-	6,930	831
	248,229	242,118	(139,748)	108,481	102,370
Operating expenses					
Purchase of electricity or related services	(162,238)	(162,844)	128,176	(34,062)	(34,668)
Depreciation and amortisation	(33,482)	(33,199)	-	(33,482)	(33,199)
Purchase of capacity reserve	(15,577)	(15,577)	-	(15,577)	(15,577)
Wages and related expenses	(7,842)	(3,766)	-	(7,842)	(3,766)
Repair and maintenance expenses	(6,190)	(6,535)	-	(6,190)	(6,535)
Transit expenses	(2,994)	(2,994)	-	(2,994)	(2,994)
Write-offs of property, plant and equipment	(484)	(484)	-	(484)	(484)
Other expenses	(8,721)	(6,256)	-	(8,721)	(6,256)
Total operating expenses	(237,528)	(231,655)	128,176	(109,352)	(103,479)
OPERATING PROFIT (LOSS)	10,701	10,463	(11,572)	(871)	(1,109)

24. Significant events after the balance sheet date

On May 18, 2011, Articles of Association of BALTPPOOL UAB, the subsidiary company of LITGRID AB, were registered following the increase of authorized capital. Subsequent to the registration Articles of Association of BALTPPOOL UAB, investing procedure of Klaipėdos Nafta AB into BALTPPOOL UAB was completed, by acquiring 156.627 (one hundred fifty six thousand six hundred and twenty seven) ordinary registered shares of BALTPPOOL UAB with nominal value of LTL 1 (one litas) each. Currently Klaipėdos Nafta AB controls 33 per cent of BALTPPOOL UAB shares and the given amount of votes at the ordinary shareholders meeting of BALTPPOOL UAB.

On April 1, 2011 Energetikos Pajėgos UAB was merged with TETAS UAB, as it was approved in the reorganisation conditions of TETAS UAB and Energetikos Pajėgos UAB.
