

To The Securities Commission of the Republic of Lithuania
No. SD - 4300
Konstitucijos pr. 23
LT-08105 Vilnius

November 28, 2011

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, Vytautas Tauras, 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 30 September 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, profit (losses) and cash flows for the relevant period.

Virgilijus Poderys



Chief Executive Officer

Vytautas Tauras



Director of Finance and Commerce Department

Tatjana Didikienė



Chief Financier



LITGRID AB

CONSOLIDATED AND THE COMPANY'S
CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE NINE-MONTH PERIOD
ENDED 30 SEPTEMBER 2011
(UNAUDITED)

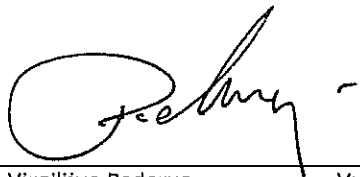
LITGRID AB

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

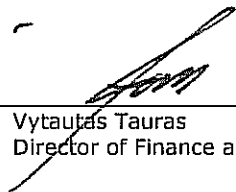
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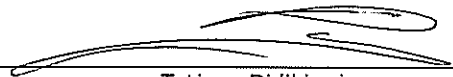
The condensed interim financial information was signed on 28 November 2011.



Virgilijus Poderys
General Director



Vytautas Tauras
Director of Finance and Commerce Department



Tatjana Didikienė
Chief Financier

LITGRID AB

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

INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

| | Note | Group at 30 September 2011 (unaudited) | Company at 30 September 2011 (unaudited) | Group at 31 December 2010 (restated) | Company at 31 December 2010 (restated) |
|--|------|--|--|--|--|
| Non-current assets | | | | | |
| Intangible assets | 4 | 1,851 | 1,696 | 1,750 | 1,703 |
| Property, plant and equipment | 5 | 2,004,099 | 2,001,161 | 2,063,451 | 2,058,979 |
| Prepayments for property, plant, equipment | | 88,028 | 88,028 | 698 | 698 |
| Investment property | 6 | 655 | 655 | 668 | 668 |
| Investments in subsidiaries | | - | 8,608 | - | 8,608 |
| Investments in associates and joint ventures | | 19,564 | 21,332 | 20,323 | 21,332 |
| Deferred income tax assets | | 360 | - | 325 | 79 |
| Other financial assets | | 1,084 | 1,084 | 1,084 | 1,084 |
| Total non-current assets | | 2,115,641 | 2,122,564 | 2,088,299 | 2,093,151 |
| Current assets | | | | | |
| Inventories | | 5,509 | 1,862 | 3,703 | 1,751 |
| Prepayments | | 533 | 1,915 | 805 | 358 |
| Trade receivables | | 113,928 | 107,227 | 144,244 | 113,826 |
| Other receivables | | 9,721 | 1,810 | 10,437 | 10,464 |
| Term deposits | | 115,000 | 115,000 | 43,000 | 43,000 |
| Cash and cash equivalents | | 85,067 | 78,575 | 75,664 | 65,152 |
| Total current assets | | 329,758 | 306,389 | 277,853 | 234,551 |
| TOTAL ASSETS | | 2,445,399 | 2,428,953 | 2,366,152 | 2,327,702 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Share capital | | 504,331 | 504,331 | 504,331 | 504,331 |
| Share premium | | 29,621 | 29,621 | 29,621 | 29,621 |
| Revaluation reserve | | 274,305 | 274,305 | 296,353 | 296,353 |
| Legal reserve | | 50,477 | 50,433 | 47,730 | 47,665 |
| Other reserves | | 979,738 | 979,654 | - | - |
| Retained earnings | | 64,823 | 70,486 | 1,041,718 | 1,046,075 |
| Equity attributable to owners of the parent company | | 1,903,295 | 1,908,830 | 1,919,753 | 1,924,045 |
| Non-controlling interest | | 3,841 | - | 3,359 | - |
| Total equity | | 1,907,136 | 1,908,830 | 1,923,112 | 1,924,045 |
| Non-current liabilities | | | | | |
| Grants | 7 | 115,253 | 115,253 | 42,349 | 42,349 |
| Deferred income | | 14,874 | 14,874 | 15,417 | 15,417 |
| Other non-current accounts payable and liabilities | | 628 | 452 | 459 | 438 |
| Deferred income tax liabilities | | 182,815 | 182,815 | 192,615 | 192,615 |
| Total non-current liabilities | | 313,570 | 313,394 | 250,840 | 250,819 |
| Current liabilities | | | | | |
| Trade payables | | 183,677 | 171,357 | 145,837 | 118,661 |
| Advance amounts received | | 3,621 | 1,000 | 11,298 | 2,026 |
| Income tax payable | | 17,559 | 17,238 | 12,693 | 12,662 |
| Other amounts payable | | 19,836 | 17,134 | 22,372 | 19,489 |
| Total current liabilities | | 224,693 | 206,729 | 192,200 | 152,838 |
| Total liabilities | | 538,263 | 520,123 | 443,040 | 403,657 |
| TOTAL EQUITY AND LIABILITIES | | 2,445,399 | 2,428,953 | 2,366,152 | 2,327,702 |

The accompanying notes form an integral part of this condensed interim financial information

LITGRID AB

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

INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

| | Group January- September 2011 | Company January- September 2011 |
|---|--|--|
| Note | (unaudited) | (unaudited) |
| Revenue | | |
| Sales revenue | 279,982 | 279,906 |
| Other operating income | 33,259 | 3,767 |
| | 313,241 | 283,673 |
| Operating expenses | | |
| Depreciation and amortisation | (100,504) | (99,660) |
| Purchase of electricity or related services | (88,439) | (90,251) |
| Purchase of capacity reserves | (45,470) | (45,470) |
| Salaries and related expenses | (24,835) | (11,554) |
| Transit expenses | (14,417) | (14,417) |
| Repair and maintenance expenses | (10,980) | (16,724) |
| Write-off expenses/reversals of non-current assets | (769) | (769) |
| Other expenses | (43,295) | (20,066) |
| Total operating expenses | (328,709) | (298,911) |
| OPERATING (LOSS) | (15,468) | (15,238) |
| Finance income | 2,111 | 1,956 |
| Finance (costs) | (13) | (6) |
| Share of results of activities of associates and joint ventures | 878 | - |
| | 2,976 | 1,950 |
| (LOSS) BEFORE INCOME TAX | (12,492) | (13,288) |
| Current year income tax expense | (8,839) | (8,536) |
| Deferred income tax income | 9,379 | 9,255 |
| | 540 | 719 |
| (LOSS) FOR THE PERIOD | (11,952) | (12,569) |
| Other comprehensive income: | | |
| Impairment losses of property, plant and equipment | (3,111) | (3,111) |
| Deferred income tax related to components of other comprehensive income | 466 | 466 |
| Other comprehensive income, net of tax | (2,645) | (2,645) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | (14,597) | (15,214) |
| (LOSS) FOR THE PERIOD ATTRIBUTABLE TO: | | |
| Owners of the Company | (12,082) | (12,569) |
| Non-controlling interest | 130 | - |
| | (11,952) | (12,569) |
| TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD ATTRIBUTABLE TO: | | |
| Owners of the Company | (14,727) | (15,214) |
| Non-controlling interest | 130 | - |
| | (14,597) | (15,214) |
| Basic and diluted (deficit) per share (in LTL) | (0.02) | - |

The accompanying notes form an integral part of this condensed interim financial information.

LITGRID AB

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

INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

| | Group | Company |
|---|-----------------------|-----------------------|
| | July–September | July–September |
| Note | 2011 | 2011 |
| | (unaudited) | (unaudited) |
| Revenue | | |
| Sales revenue | 92,514 | 92,488 |
| Other operating income | 11,585 | 1,605 |
| | 104,099 | 94,093 |
| Operating expenses | | |
| Depreciation and amortisation | (33,555) | (33,272) |
| Purchase of electricity or related services | (30,628) | (31,231) |
| Purchase of capacity reserves | (14,619) | (14,619) |
| Salaries and related expenses | (7,890) | (3,411) |
| Transit expenses | (6,371) | (6,371) |
| Repair and maintenance expenses | (4,719) | (6,780) |
| Write-off expenses of non-current assets | 21 | 21 |
| Other expenses | (15,116) | (7,327) |
| Total operating expenses | (112,877) | (102,990) |
| OPERATING (LOSS) | (8,778) | (8,897) |
| Finance income | 751 | 716 |
| Finance (costs) | (4) | (2) |
| Share of results of activities of associates and joint ventures | 148 | - |
| | 895 | 714 |
| (LOSS) BEFORE INCOME TAX | (7,883) | (8,183) |
| Current year income tax expense | 9,943 | 10,044 |
| Deferred income tax income | (9,924) | (9,966) |
| | 19 | 78 |
| (LOSS) FOR THE PERIOD | (7,864) | (8,105) |
| Other comprehensive income | | |
| Impairment losses of property, plant and equipment | (3,111) | (3,111) |
| Deferred Income tax related to components of other comprehensive income | 466 | 466 |
| Other comprehensive loss, net of deferred income tax | (2,645) | (2,645) |
| TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD | (10,509) | (10,750) |
| (LOSS) FOR THE PERIOD ATTRIBUTABLE TO: | | |
| Owners of the Company | (8,122) | (8,105) |
| Non-controlling interest | 258 | - |
| | (7,864) | (8,105) |
| TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD ATTRIBUTABLE TO: | | |
| Owners of the Company | (10,767) | (10,750) |
| Non-controlling interest | 258 | - |
| | (10,509) | (10,750) |
| Basic and diluted (deficit) per share (in LTL) | (0.01) | - |

The accompanying notes form an integral part of this condensed interim financial information.

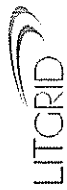


LITGRID AB
 Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

INTERIM STATEMENTS OF CHANGES IN EQUITY
 FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011
 (All amounts in LTL thousands 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 | Other reserves | Retained earnings | Total | | |
| Balances at 31 December 2010 | | 504,331 | 29,621 | 296,353 | 47,730 | - | 1,047,454 | 1,925,489 | 3,359 | 1,928,848 |
| Adjustment made in relation to changes in accounting policies | 3.7 | - | - | - | - | - | (5,736) | (5,736) | - | (5,736) |
| Balances at 31 December 2010 (restated) | | 504,331 | 29,621 | 296,353 | 47,730 | - | 1,041,718 | 1,919,753 | 3,359 | 1,923,112 |
| Merger of associates | | - | - | - | - | - | (92) | (92) | 352 | (1,638) |
| Decrease in interest in the subsidiary and amounts written off | | - | - | (19,403) | - | - | 19,403 | - | - | 260 |
| Depreciation of revaluation reserve | | - | - | - | 2,747 | 979,738 | (982,485) | - | - | - |
| Transfers to reserves | 1 | - | - | - | - | - | (12,082) | (14,727) | 130 | (14,597) |
| Total comprehensive (loss) | | - | - | (2,645) | - | - | - | (14,727) | 130 | (14,597) |
| Balances at 30 September 2011 | | 504,331 | 29,621 | 274,305 | 50,477 | 979,738 | 64,823 | 1,903,295 | 3,841 | 1,907,136 |

The accompanying notes form an integral part of this condensed interim financial information.



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

INTERIM STATEMENTS OF CHANGES IN EQUITY
 FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011
 (All amounts in LTL thousands unless otherwise stated)

| Company | Note | Share capital | Share premium | Revaluation reserve | Legal reserve | Other reserves | Retained earnings | Total |
|---|---------|----------------|---------------|---------------------|---------------|----------------|-------------------|------------------|
| Balances at 31 December 2010 | | 504,331 | 29,621 | 296,353 | 47,665 | - | 982,423 | 1,860,393 |
| Merger of subsidiary | 11 | - | - | - | - | - | 69,388 | 69,388 |
| Adjustment made in relation to changes in accounting policies | 3.7, 11 | - | - | - | - | - | (5,736) | (5,736) |
| Balances at 31 December 2010 (restated) | | 504,331 | 29,621 | 296,353 | 47,665 | - | 1,046,075 | 1,924,045 |
| Depreciation of revaluation reserve and amounts written off | | - | - | (19,403) | - | - | 19,403 | - |
| Transfers to reserves | 1 | - | - | - | 2,768 | 979,654 | (982,422) | - |
| Total comprehensive (loss) | | - | - | (2,645) | - | - | (12,569) | (15,214) |
| Balances at 30 September 2011 | | 504,331 | 29,621 | 274,305 | 50,433 | 979,654 | 70,486 | 1,908,830 |

The accompanying notes form an integral part of this condensed interim financial information.

LITGRID AB

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

INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

| | Note | Group January- September 2011 | Company January- September 2011 |
|---|-------|--|--|
| | | (unaudited) | (unaudited) |
| Cash flows from operating activities | | | |
| Profit (Loss) for the period | | (11,952) | (12,569) |
| Adjustments for non-cash items: | | | |
| Depreciation and amortisation expenses | 4,5,6 | 101,927 | 101,083 |
| Impairment charge on assets | | 2,335 | 2,335 |
| Share of profit of associates and joint ventures | | (878) | - |
| Income tax expenses | | 8,839 | 8,536 |
| Change in deferred income tax liability | | (9,410) | (9,255) |
| (Income) from grants | | (1,423) | (1,423) |
| Loss on write-off of property, plant and equipment | 5 | 824 | 808 |
| Elimination of results of financing and investing activities: | | | |
| - Effect of changes in foreign exchange rates, net | | 4 | 4 |
| - Interest (income) | | (1,980) | (1,829) |
| - Other finance costs | | (129) | (124) |
| Changes in working capital | | | |
| (Increase) decrease in trade receivables and other amounts receivable | | 31,032 | 15,253 |
| (Increase) decrease in inventories and prepayments | | (1,655) | (1,789) |
| Increase (decrease) in accounts payable and advance amounts received | | 10,871 | 32,373 |
| Cash generated from operating activities | | 128,405 | 133,403 |
| Income tax paid | | (3,960) | (3,960) |
| Net cash generated from operating activities | | 124,445 | 129,443 |
| Cash flows from investing activities | | | |
| (Purchase) of property, plant and equipment and intangible assets | | (118,487) | (119,054) |
| Interest received | | 862 | 711 |
| Term deposits | | (72,000) | (72,000) |
| Grants received | | 74,327 | 74,327 |
| Decrease in interest in the subsidiary | | 260 | - |
| Increases (decreases) in other cash flows from investing activities | | (4) | (4) |
| Net cash used in investing activities | | (115,042) | (116,020) |
| Net (decrease) in cash flows | | 9,403 | 13,423 |
| Cash and cash equivalents at the beginning of the year | | 75,664 | 65,152 |
| Cash and cash equivalents at the end of the period | | 85,067 | 78,575 |

The accompanying notes form an integral part of this condensed interim financial information.

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

NOTES TO THE CONDENCED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

1. General information

LITGRID AB (the name of the company was LITGRID Turtas AB until 14 March 2011) is a public company registered in the Republic of Lithuania. The address of its registered office is: A. Juozapavičiaus g. 13, LT-09311, Vilnius, Lithuania. LITGRID AB (hereinafter "the Company") is a limited liability profit-making 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 principal activities of the Company include ensuring the stability and reliability of electric power system in the territory of Lithuania within its areas of competence, creation of objective and non-discriminatory conditions for the use of the transmission networks, management, use and disposal of electricity transmission system assets and its appurtenances, management of companies engaged in transmission trading and market operator's activities including management of companies owing electricity interconnections with other countries or those that develop, manage, use or dispose them.

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 was 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 BALTPPOOL UAB was granted a license of the electricity market operator.

On 24 January 2011, the extraordinary general meeting of shareholders of the Company was convened where shareholders of the Company approved the terms and conditions of 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 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. For detail information of the merger with subsidiary LITGRID AB is presented in Note 11.

On 24 February 2011, the Company was granted a license of the electricity transmission system operator the validity of which commenced after the merger of the companies on 1 March, i.e. after the expiry of the validity of the license of the subsidiary.

On 14 March 2011, a new version of the Articles of Association of LITGRID AB was registered with the Register of Legal Entities and the name of the company LITGRID Turtas AB was changed to LITGRID AB.

NOTES TO THE CONDENCED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

1. General information (continued)

As at 30 September 2011 and 31 December 2010, 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 (in 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.

In April 2011 following decision of general meeting of shareholders of the Company, LTL 979,654 thousand of retained earnings were transferred to other reserves and 2,768 thousand to legal reserve.

As of the date of this financial information the Group included LITGRID AB and its directly controlled subsidiaries, which are listed below.

| Company | Address of the registered office | Shareholding of the Group at 30 September 2011 | Share capital at 30 September 2011 | Profit/ (loss) for 2011 | Equity at 30 September 2011 | Principal activities |
|---------------|--|--|--|----------------------------------|--------------------------------------|---|
| BALTPPOOL UAB | A. Juozapavičiaus g. 13, Vilnius | 67 % | 474 | 659 | 1,363 | Activities related to the electricity market operator |
| TETAS UAB | Senamiesčio g. 102B, Panevėžys | 61 % | 5,651 | 414 | 8,725 | Transformer substation, distribution station design, construction, repair and maintenance services |

The structure of the Group's investments in the associates and the joint venture as at 30 September 2011 is as follows:

| Company | Address of the registered office | Shareholding of the Group at 30 September 2011 | Share capital at 30 September 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 % | 1,556 | Designing of electricity transmission interconnection facilities |

There were 623 employees in the Group as at 30 September 2011 (618 as at 31 December 2010), 205 employees in the Company as at 30 September 2011 (210 employees as at 31 December 2010).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

2. Basis of preparation

This Company's and consolidated Group's condensed interim financial information for the nine month period ended 30 September 2011 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting'). This financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

3. Accounting policies

Except as described below, the accounting policies and calculation methods applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2010. These policies have been consistently applied to all the periods presented.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

IAS 24, 'Related party disclosures' (amended in November 2009; effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

The Company/Group started to apply this standard from the financial period which started on 1 January 2011. The standard was applied retrospectively. The amended standard does not require government-related entities to disclose transactions and balances arising from these transactions, including off-balance sheet liabilities, conducted with the state or state related companies. The adoption of the standard did not significantly affect the disclosure of transactions with related parties and balances arising from these transactions in the condensed interim financial information.

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 2011). Improvements did not have a significant impact on the Company's/Group's condensed interim financial information.

3.2 New or revised standards effective in 2011 but not relevant to the Group and the Company

Classification of rights issues – Amendment to IAS 32, 'Financial instruments: Presentation'.

Prepayments of a minimum funding requirement – Amendment to IFRIC 14.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1.

3.3 New or revised standards and interpretations that are mandatory for the Group's and Company's accounting periods beginning on or after 1 July 2011 or later periods and which the Group and Company have not early adopted

IFRS 9, 'Financial instruments' (issued in November 2009; effective for annual periods beginning on or after 1 January 2013, with earlier application permitted; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The Company/Group does not expect the standard to have a significant impact on the financial statements.

3. Accounting policies (continued)

3.3 New or revised standards and interpretations that are mandatory for the Group's and Company's accounting periods beginning on or after 1 July 2011 or later periods and which the Group and Company have not early adopted

IFRS 10, 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard replaces all of the guidance on control and consolidation in IAS 27 'Consolidated and separate financial statements' and SIC-12 'Consolidation – special purpose entities'. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Company and the Group are currently assessing the impact of this standard on the financial statements.

IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard replaces IAS 31 'Interests in joint ventures' and SIC-13 'Jointly controlled entities – non-monetary contributions by ventures'. Changes in the definitions have reduced the number of "types" of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Company and the Group are currently assessing the impact of this standard on the financial statements.

IFRS 12, 'Disclosure of interests in other entities' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 28 'Investments in associates'. IFRS 12 requires an entity to disclose information that enables users of financial statements to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company and the Group are currently assessing the impact of this standard on the financial statements.

IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company/Group does not expect the standard to have a significant impact on the financial statements.

IAS 19 (revised 2011), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The Company/Group does not expect the standard to have a significant impact on the financial statements.

IAS 27 (revised 2011), 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The Company and the Group are currently assessing the impact of this standard on the financial statements.

IAS 28 (revised 2011), 'Investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The Company and the Group are currently assessing the impact of this standard on the financial statements.

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). The Company/Group does not expect the amendments to have a significant impact on the financial statements.

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). The Company/Group does not expect the amendment to have a significant impact on the financial statements.

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). The amendment will not have any impact on the Company's/Group's financial statements.

Presentation of items of other comprehensive income – Amendment to IAS 1 (effective for annual periods beginning on or after 1 July 2012; not yet adopted by the EU). The Company/Group does not expect the amendment to have a significant impact on the financial statements.

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3. Accounting policies (continued)

3.4 Business combinations

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 the acquired assets and liabilities at their carrying amounts. No goodwill arises in predecessor accounting and the consolidated financial statements incorporate the combined companies' results as if the combined entity had always existed. A combination of businesses under common control is also accounted for as if the combined entity had always existed.

3.5 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 obligations (PSO) service fees allocated for the implementation of strategic projects are recognised as government grants.

3.6 Income and expense recognition

PSO service fees are the fees paid to the suppliers of electricity under the public service obligations scheme (based on annual quantities and prices of services established in advance). These fees are collected from customers, i.e. the distribution system operator and end users connected to the transmission network, using the tariff for PSO services established by the Commission.

PSO services are rendered under the PSO scheme approved by Order No. 1-283 of 8 October 2010 of the Minister of Energy of the Republic of Lithuania and PSO administration scheme approved by the Order No. O3-328 of 17 December 2010 of the National Control Commission for Prices and Energy (hereafter "the Commission"). Under the PSO scheme the Company/Group, a transmission system operator, acts as an administrator of PSO service fees. By collecting and disbursing PSO service fees the Company/Group acts only as an agent.

If in the previous calendar year fees collected by the Company/Group from customers for PSO services exceeded or were less than the actual payments for PSO services, the difference needs to be taken into account by the Commission when setting the tariff for PSO services for the next year. The Company/Group receives an approved fixed portion of the PSO service tariff revenue that is allocated for the compensation of expenses related to the administration of PSO service fees and PSO service fees for PSO services provided, i.e. the balancing of electricity produced using renewable energy sources.

In order to fairly present the administration of PSO service fees the Company/Group has made changes in the accounting policy of PSO service fees from January 2011.

3.7 Change in accounting policies. Restatement of comparatives

Until 2011 PSO service fees received by the Company/Group were recorded as income earned and PSO service fees disbursed as expenses incurred.

Seeking to improve the disclosure of the Company's/Group's financial position, financial performance and cash flows and reflect the actual substance of PSO administration activities, in 2011 management decided to make changes in the accounting policy applied to PSO service fees being administered.

Given that the Company/Group acts only as an intermediary on behalf of the Commission/Government, revenues from the collection of tariffs from customers are netted against the disbursements to the electricity generators in the statement of comprehensive income. Only the amount of PSO service fees as approved by the Government in advance that is received for PSO services rendered and for PSO administration services is recognised as income by the Company/Group. A difference between PSO service fees received and disbursed is recognised in accounts receivable (payable).

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 (All amounts in LTL thousands unless otherwise stated)

3. Accounting policies (continued)

3.7 Change in accounting policies. Restatement of comparatives (continued)

The Company/Group changed its accounting policy for PSO service fees being administered and applied the changes retrospectively. In accordance with IAS 8, 'Accounting policies, changes in accounting estimates and errors' when changes in the accounting policies are applied retrospectively the Company/Group is required to adjust the opening balance of each affected item of equity at the beginning of the earliest reporting period presented as well as comparative figures of all other prior reporting periods presented as if the new accounting policy had always been applied.

Information about the effect of changes in the accounting policy on the Group's assets, liabilities, equity as at 31 December 2010 is given below.

| Group | At 31 December 2010 (previously reported) | Adjustment to PSO service fees | At 31 December 2010 (restated) |
|-------------------------------------|--|--------------------------------------|--------------------------------------|
| Current assets | | | |
| Trade receivables | 139,485 | 4,759 | 144,244 |
| TOTAL ASSETS | 2,361,393 | 4,759 | 2,366,152 |
| Capital and reserves | | | |
| Retained earnings (deficit) | 1,047,454 | (5,736) | 1,041,718 |
| Non-current liabilities | | | |
| Deferred income tax liabilities | 193,627 | (1,012) | 192,615 |
| Current liabilities | | | |
| Trade payables | 134,330 | 11,507 | 145,837 |
| TOTAL EQUITY AND LIABILITIES | 2,361,393 | 4,759 | 2,366,152 |

Information about the effect of changes in the accounting policy on the Company's assets, liabilities, equity as at 31 December 2010 is presented in Note 11.

3.8 Critical accounting estimates and judgments

The preparation of financial information 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 this financial information include fair value measurement and depreciation of property, plant and equipment and investment property, evaluation of impairment for accounts receivable and investments and percentage of completion evaluation for repair service contracts. 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. Accounting estimates applied in preparing the condensed interim financial information are consistent with those that were applied in preparing the annual financial statements.

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.

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.

3. Accounting policies (continued)

3.8 Critical accounting estimates and judgments (continued)

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 the depreciated replacement cost method. 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 the 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 in real estate prices.

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.

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 based on 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).

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 Commission in accordance with the principles of determination of the value of assets used in licensed activities of the service provider that have been drafted by the Commission and approved by the Government.

According to the Government resolution Nr. 1142 of 9 September 2009 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 was 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.

3. Accounting policies (continued)

3.8 Critical accounting estimates and judgments (continued)

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 30 September 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 30 September 2011, as described above.

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4. Intangible assets

The structure of the Group's intangible assets is as follows:

| Group | Patents and licenses | Computer software | Other intangible assets | Total |
|---|-------------------------|----------------------|-------------------------------|---------|
| Net book amount at 31 December 2010 | - | 1,722 | 28 | 1,750 |
| Additions | - | 564 | - | 564 |
| Amortisation charge | - | (457) | (6) | (463) |
| Net book amount at 30 September 2011 | - | 1,829 | 22 | 1,851 |
| Cost | 1 | 5,055 | 34 | 5,090 |
| Accumulated amortisation | (1) | (3,226) | (12) | (3,239) |
| Net book amount at 30 September 2011 | - | 1,829 | 22 | 1,851 |

The structure of the Company's intangible assets is as follows:

| Company | Patents and licenses | Computer software | Other intangible assets | Total |
|---|-------------------------|----------------------|-------------------------------|---------|
| Net book amount at 31 December 2010 | - | 1,675 | 28 | 1,703 |
| Additions | - | 442 | - | 442 |
| Amortisation charge | - | (443) | (6) | (449) |
| Net book amount at 30 September 2011 | - | 1,674 | 22 | 1,696 |
| Cost | 1 | 4,880 | 34 | 4,915 |
| Accumulated amortisation | (1) | (3,206) | (12) | (3,219) |
| Net book amount at 30 September 2011 | - | 1,674 | 22 | 1,696 |

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5. Property, plant and equipment

The structure of the Group's property, plant and equipment is as follows:

| Group | Land | Buildings | Structures and machinery | Motor vehicles | Other PP&E | Construction in progress | Total |
|---|--------------|---------------|--------------------------|----------------|---------------|--------------------------|------------------|
| Net book amount at 31 December 2010 | 1,961 | 35,820 | 1,943,993 | 1,829 | 45,563 | 34,285 | 2,063,451 |
| Additions | - | - | 41 | 181 | 326 | 47,699 | 48,247 |
| Disposals | - | - | - | (16) | - | - | (16) |
| Write-offs | - | - | (802) | - | (5) | - | (807) |
| Impairment | - | - | (5,446) | - | - | - | (5,446) |
| Reclassification from inventories | - | - | - | - | - | 121 | 121 |
| Reclassification between groups | - | 96 | 13,556 | - | (220) | (13,432) | - |
| Depreciation charge | - | (1,724) | (92,624) | (354) | (6,749) | - | (101,451) |
| Net book amount at 30 September 2011 | 1,961 | 34,192 | 1,858,718 | 1,640 | 38,915 | 68,673 | 2,004,099 |
| Cost or revaluated amount | 1,961 | 38,164 | 2,073,325 | 2,303 | 86,203 | 68,673 | 2,270,629 |
| Accumulated depreciation | - | (3,827) | (207,936) | (663) | (47,288) | - | (259,714) |
| Accumulated impairment | - | (145) | (6,671) | - | - | - | (6,816) |
| Net book amount | 1,961 | 34,192 | 1,858,718 | 1,640 | 38,915 | 68,673 | 2,004,099 |

The structure of the Company's property, plant and equipment is as follows:

| Company | Land | Buildings | Structures and machinery | Motor vehicles | Other PP&E | Construction in progress | Total |
|---|--------------|---------------|--------------------------|----------------|---------------|--------------------------|------------------|
| Net book amount at 31 December 2010 | 1,961 | 34,968 | 1,943,758 | - | 43,606 | 34,686 | 2,058,979 |
| Additions | - | - | - | - | 232 | 48,704 | 48,936 |
| Write-offs | - | (1) | (802) | - | (5) | - | (808) |
| Impairment | - | - | (5,446) | - | - | - | (5,446) |
| Reclassification from inventories | - | - | - | - | - | 121 | 121 |
| Reclassification between groups | - | 96 | 13,556 | - | (220) | (13,432) | - |
| Depreciation charge | - | (1,672) | (92,590) | - | (6,359) | - | (100,621) |
| Net book amount at 30 September 2011 | 1,961 | 33,391 | 1,858,476 | - | 37,254 | 70,079 | 2,001,161 |
| Cost or revaluated amount | 1,961 | 37,109 | 2,072,909 | 29 | 83,470 | 70,079 | 2,265,557 |
| Accumulated depreciation | - | (3,573) | (207,762) | (29) | (46,216) | - | (257,580) |
| Accumulated impairment | - | (145) | (6,671) | - | - | - | (6,816) |
| Net book amount | 1,961 | 33,391 | 1,858,476 | - | 37,254 | 70,079 | 2,001,161 |

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5. Property, plant and equipment (continued)

As at 30 September 2011 and 31 December 2010, the Group/Company had significant contractual obligations to purchase property, plant and equipment, which have to be fulfilled in future periods.

| | <u>At 30 September 2011</u> | <u>At 31 December 2010</u> |
|---|---------------------------------|--------------------------------|
| Interconnection between the electricity transmission systems of Lithuania and Sweden (NORDBALT) | 620,983 | 707,041 |
| Transformer substations | 94,770 | 82,553 |
| Interconnection between the electricity transmission systems of Lithuania and Poland (LitPolLink) | 2,641 | 2,457 |
| Other | 58,356 | 10,336 |
| Total | <u>719,433</u> | <u>802,387</u> |

6. Investment property

| | <u>Group</u> | <u>Company</u> |
|---|-------------------|-------------------|
| Net book amount at 31 December 2010 | 668 | 668 |
| Depreciation charge | (13) | (13) |
| Net book amount at 30 September 2011 | <u>655</u> | <u>655</u> |
| At 30 September 2011 | | |
| Cost | 816 | 816 |
| Accumulated depreciation | (161) | (161) |
| Net book amount at 30 September 2011 | <u>655</u> | <u>655</u> |

As estimated by the Company and based on observable market data, the fair value of the investment property of the Group and the Company as at 30 September 2011 approximates its carrying amount.

The Group's and the Company's income from lease of investment property amounted to LTL 122 thousand during the period of January to September 2011.

7. Grants

The grants balance consists of grants related to the financing of assets acquisition. Movements on grants in 2011 are as follows:

| | <u>Group</u> | <u>Company</u> |
|---|-----------------------|-----------------------|
| Balance at 31 December 2010 | 42,349 | 42,349 |
| Received during the period | 74,327 | 74,327 |
| Recognised as revenue during the period | (1,423) | (1,423) |
| Balance at 30 September 2011 | <u>115,253</u> | <u>115,253</u> |

Grants received during the period included financing received from the EU Structural Funds (LTL 5,304 thousand) and PSO service fees received for the implementation of strategic projects (LTL 69,023 thousand).

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8. Segment information

The Group has distinguished the following 3 business segments (activities): activities of the transmission system operator, market operator and repair and maintenance services.

Aiming to match the structure of income and expenses of the transmission activity with the Methodology of the Determination of Prices and Price Caps of Electricity Transmission and Distribution Services developed by the State Commission for Prices and Energy (approved by Order No. O3-139 of 25 September 2009), the following products (services) are distinguished in activities of the transmission system operator:

- electricity transmission;
- trade in balancing/regulating electricity;
- provision of capacity reserve services;
- public service obligations (PSO) electricity sales.

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

Trade in balancing/regulating electricity is a service of the transmission system operator ensuring the balance of electricity generation/import and consumption/export levels.

The capacity reserve is used in extreme conditions when the generation of electricity declines or its consumption increases. The Company is responsible for the control and management of capacity reserves of all types and additional services.

Currently, only a fee for PSO administration services and PSO service fees for the compensation of expenses incurred for the balancing of electricity produced using renewable energy sources are recognised as income by the Company/Group. Details on changes in the accounting policy are presented in Note 3.7.

In 2010, the Group distinguished a business segment 'Other products (services) of the transmission system operator'. Starting from 2011, the Group's management analyses this business segment along with the electricity transmission segment. In the financial statements for 2011 this segment is presented as a part of the electricity transmission segment.

BALTPPOOL UAB carries out the functions of the Lithuanian power market operator. BALTPPOOL UAB does not recognise income and expenses from transmission trading and a turnover fee in the power exchange as it acts as an agent rather than a principal electricity buyer/seller in transactions related to settlements for electricity purchased/sold at the power exchange. BALTPPOOL UAB generates income from provision of market administration services.

TETAS UAB, a subsidiary of the Company, is engaged in repair and maintenance services, including repair services of energy facilities, specialised technical maintenance of transformer substations, distribution stations, engineering, installation of energy objects and other services.

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The table below shows the Group's information on segments for the period ended 30 September 2011.

| | Business segments generating revenue from external sales | | | | | | | Total | |
|---|--|-------------------|---|---|---|-------------------------------------|--|----------------|---|
| | Including: | | | | | | | | |
| | Trans- mission system operator | Trans- mission | Trade in balancing/ regulating electricity | Sales of capacity reserve services | Public service obligations electricity sale | Activities of market operator | Repair and maintena nce services | | Other inter- segment elimina- tions |
| Revenue | 283,673 | 172,195 | 63,672 | 40,632 | 7,174 | 1,892 | 36,517 | - | 322,082 |
| Inter-segment revenue | (1,983) | (1,983) | - | - | - | - | (6,858) | - | (8,841) |
| Revenue, net of inter- segment revenue | 281,690 | 170,212 | 63,672 | 40,632 | 7,174 | 1,892 | 29,659 | - | 313,241 |
| Expenses | 298,911 | 196,290 | 49,792 | 45,470 | 7,359 | 1,283 | 36,347 | - | 336,541 |
| Inter-segment expenses | (1,983) | (1,983) | - | - | - | - | (6,854) | 1,005 | 7,832 |
| Expenses, net of inter- segment expenses | 296,928 | 194,307 | 49,792 | 45,470 | 7,359 | 1,283 | 29,493 | 1,005 | 328,709 |
| Operating profit (loss) | (13,255) | (24,095) | 13,880 | (4,838) | (185) | 609 | 166 | (1,005) | (15,468) |
| Depreciation and amortisation expenses | 99,660 | 99,660 | - | - | - | 1 | 844 | - | 100,505 |
| Loss on revaluation of property, plant and equipment | (2,334) | (2,334) | - | - | - | - | - | - | (2,334) |
| Net finance income (costs) | 1,950 | 1,765 | - | - | 185 | 148 | 878 | - | 2,976 |
| Profit (loss) before income tax | | | | | | | | | (12,492) |
| Income tax | | | | | | | | | 540 |
| Profit (loss) for the period | | | | | | | | | (11,952) |
| Loss on revaluation of property, plant and equipment recognised in equity | (3,111) | (3,111) | - | - | - | - | - | - | (3,111) |

LITGRID AB

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

NOTES TO THE CONDENCED INTERIM FINANCIAL INFORMATION
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(All amounts in LTL thousands unless otherwise stated)

8. Segment information (continued)

The Group renders the electricity regulation service to the EU Member States and the electricity transit service to the Russian transmission system operator.

In 2011, the Group's and the Company's revenue according to geographical segments was as follows:

| Country | Group January – September 2011 | Company January – September 2011 |
|--------------|---|---|
| Lithuania | 310,128 | 280,560 |
| Russia | 1,475 | 1,475 |
| Latvia | 893 | 893 |
| Estonia | 745 | 745 |
| Total | 313,241 | 283,673 |

All assets of the Group and the Company are located in Lithuania. During the period ended 30 September 2011, the Group's income from one external customer (Visagino Atominė Elektrinė Group's companies) amounted to LTL 193,944 thousand.

9. Related-party transactions

The Group's transactions with related parties during the nine-month period ended 30 September 2011 and the balances arising from these transactions as at 30 September 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 | 62,404 | 95,452 | 493,038* | 969,125* |
| Associates of the Group | 3,320 | 1,621 | 18,150 | 2,897 |
| Parent entity of the Group (Visagino Atominė Elektrinė UAB) | - | - | - | - |
| Total | 65,724 | 97,073 | 511,188 | 972,022 |

*As described in the section on accounting policies the Group does not recognise income and expenses from sales and purchases of PSO service fees being administered. In the period of January to September 2011, PSO service fees received by the Group from related parties amounted to LTL 383,086 thousand and PSO service fees disbursed to related parties amounted to LTL 241,345 thousand. According to the Group's accounting policies, BALTPPOOL UAB does not recognise income and expenses from transmission trading transactions. In the period of January to September 2011, BALTPPOOL UAB purchased electricity from related parties for LTL 161,553 thousand and sold electricity to related parties for LTL 384,705 thousand.

The Company's transactions with related parties during the nine-month period ended 30 September 2011 and the balances arising from these transactions as at 30 September 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 | 61,397 | 80,922 | 327,225* | 580,458* |
| Associates of the Company | 3,249 | 1,621 | 17,760 | 2,860 |
| Subsidiaries of the Company | 2,980 | 1,675 | 28,078 | 168 |
| Parent entity of the Group (Visagino Atominė Elektrinė UAB) | - | - | - | - |

NOTES TO THE CONDENCED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

| | | | | |
|--|---------------|---------------|----------------|----------------|
| Total | 67,626 | 84,218 | 373,063 | 583,486 |
| 9. Related-party transactions (continued) | | | | |

*As described in the section on accounting policies the Company does not recognise income and expenses from sales and purchases of PSO service fees being administered. In the period of January to September 2011, PSO service fees received by the Company from related parties amounted to LTL 383,806 thousand and PSO service fees disbursed to related parties amounted to LTL 241,345 thousand.

The following table presents the Group's balances arising from transactions with related parties as at 31 December 2010.

| Related parties | Trade and other payables and prepayments | Trade and other receivables |
|--|---|------------------------------------|
| Entities controlled by the Ministry of the Energy of the Republic of Lithuania | 68,407 | 125,684 |
| Associates of the Group | 2,835 | 706 |
| Parent entity of the Group (Visagino Atominė Elektrinė UAB) | - | - |
| Total | 71,242 | 126,390 |

The following table presents the Company's balances arising from transactions with related parties as at 31 December 2010.

| Related parties | Trade and other payables and prepayments | Trade and other receivables |
|--|---|------------------------------------|
| Entities controlled by the Ministry of the Energy of the Republic of Lithuania | 61,517 | 101,283 |
| Associates of the Company | 2,526 | 124 |
| Subsidiaries of the Company | 1,811 | 27 |
| Parent entity of the Group | - | - |
| Total | 65,854 | 101,434 |

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: LESTO AB and Lietuvos energija AB. The Group mainly purchased electricity, a capacity reserve service and PSO services from these entities. Sales transactions mainly included sales of electricity, a capacity reserve service, electricity transmission services and PSO services.

Payments to key management personnel

| | Group January - September 2011 | Company January - September 2011 |
|--|---|---|
| Employment-related payments | 759 | 270 |
| Termination benefits | 39 | - |
| Other material amounts calculated for key management personnel | - | - |
| Number of key management personnel | 6 | 2 |

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

NOTES TO THE CONDENCED INTERIM FINANCIAL INFORMATION
 FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011
 (All amounts in LTL thousands unless otherwise stated)

10. Basic and diluted earnings (deficit) per share

In 2011, basic and diluted (deficit) per share was as follows:

| | |
|---|---|
| | January - September 2011 |
| Net (loss) attributable to the Group's shareholders (LTL thousands) | (12,082) |
| Weighted average number of shares (units) | 504,331 |
| Basic and diluted (deficit) per share (in LTL) | (0.024) |

11. Business combinations

Based on the reorganisation terms and conditions of LITGRID AB and LITGRID Turtas 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 1 March 2011. 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.

A combination of businesses under common control is accounted for as if the combined entity had always existed. The following table presents the Company's statement of financial position as of 31 December 2010 as modified by the merger of the subsidiary and changes in the accounting policy for PSO service fees (see Note 3.7).

| | Company at 31 December 2010 (previously stated) | Adjust- ments relating to merger of the subsidiary | Eliminations of inter- company transactions and reclassifi- cations | Adjustments relating to changes in accounting policy for PSO service fees | Company at 31 December 2010 (restated) |
|---|--|---|--|--|---|
| Non-current assets | | | | | |
| Intangible assets | 515 | 1,188 | - | - | 1,703 |
| Property, plant and equipment | 2,051,554 | 6,510 | 915 | - | 2,058,979 |
| Prepayments for property, plant, equipment | 698 | - | - | - | 698 |
| Investment property | 1,583 | - | (915) | - | 668 |
| Investments in subsidiaries | 18,038 | 318 | (9,748) | - | 8,608 |
| Investments in associates and joint ventures | 19,032 | - | 2,300 | - | 21,332 |
| Deferred income tax assets | - | 79 | - | - | 79 |
| Other financial assets | 910 | 2,474 | (2,300) | - | 1,084 |
| Total non-current assets | 2,092,330 | 10,569 | (9,748) | - | 2,093,151 |
| Current assets | | | | | |
| Inventories | 1,750 | 1 | - | - | 1,751 |
| Prepayments | 57 | 301 | - | - | 358 |
| Trade receivables | 13,424 | 109,067 | (13,424) | 4,759 | 113,826 |
| Other receivables | 1,639 | 9,095 | (270) | - | 10,464 |
| Term deposits | - | 43,000 | - | - | 43,000 |
| Cash and cash equivalents | 42,161 | 22,991 | - | - | 65,152 |
| Total current assets | 59,031 | 184,455 | (13,694) | 4,759 | 234,551 |
| TOTAL ASSETS | 2,151,361 | 195,024 | (23,442) | 4,759 | 2,327,702 |

NOTES TO THE CONDENCED INTERIM FINANCIAL INFORMATION
 FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011
 (All amounts in LTL thousands unless otherwise stated)

11. Business combinations (continued)

| | Company at 31 December 2010 (previously stated) | Adjust- ments relating to merger of the subsidiary | Eliminations of inter- company transactions and reclassifi- cations | Adjustments relating to changes in accounting policy for PSO service fees | Company at 31 December 2010 (restated) |
|---|--|---|---|---|--|
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Share capital | 504,331 | 9,748 | (9,748) | - | 504,331 |
| Share premium | 29,621 | - | - | - | 29,621 |
| Revaluation reserve | 296,353 | - | - | - | 296,353 |
| Legal reserve | 47,665 | - | - | - | 47,665 |
| Retained earnings | 982,423 | 69,388 | - | (5,736) | 1,046,075 |
| Total equity | 1,860,393 | 79,136 | (9,748) | (5,736) | 1,924,045 |
| Non-current liabilities | | | | | |
| Grants | 42,349 | - | - | - | 42,349 |
| Deferred income | 15,417 | - | - | - | 15,417 |
| Other non-current accounts payable and liabilities | 234 | 204 | - | - | 438 |
| Deferred income tax liabilities | 193,627 | - | - | (1,012) | 192,615 |
| Total non-current liabilities | 251,627 | 204 | - | (1,012) | 250,819 |
| Current liabilities | | | | | |
| Trade payables | 22,548 | 98,300 | (13,694) | 11,507 | 118,661 |
| Advance amounts received | 1,724 | 302 | - | - | 2,026 |
| Income tax payable | 321 | 12,341 | - | - | 12,662 |
| Other amounts payable | 14,748 | 4,741 | - | - | 19,489 |
| Total current liabilities | 39,341 | 115,684 | (13,694) | 11,507 | 152,838 |
| Total liabilities | 290,968 | 115,888 | (13,694) | 10,495 | 403,657 |
| TOTAL EQUITY AND LIABILITIES | 2,151,361 | 195,024 | (23,442) | 4,759 | 2,327,702 |

12. Significant events after the balance sheet date

27 October 2011 National Control Commission for Prices and Energy announced the price for transmission service using high voltage transmission networks and set it at LTL 0.0232 per kWh for 2012.

23 November 2011 Company's subsidiary BALTPPOOL UAB was granted a license to organize newly established gas market.
