

To The Bank of Lithuania
Žirmūnų g. 151
LT-09128 Vilnius

February 29, 2012 No. SD-1014

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 31 December 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 TWELVE-MONTH PERIOD
ENDED 31 DECEMBER 2011
(UNAUDITED)

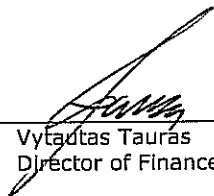
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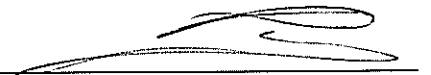
The condensed interim financial information was signed on 29 February 2012.



Virgilijus Poderys
Chief Executive Officer



Vytadas Tauras
Director of Finance and Commerce Department



Tatjana Didiklenė
Chief Financier

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

INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

	Note	Group at 31 December 2011 (unaudited)	Company at 31 December 2011 (unaudited)	Group at 31 December 2010 (restated)	Company at 31 December 2010 (restated)
Non-current assets					
Intangible assets	4	1,759	1,434	1,750	1,703
Property, plant and equipment	5	1,990,187	1,985,537	2,064,119	2,059,647
Prepayments for property, plant, equipment		87,029	87,029	698	698
Investments in subsidiaries		-	8,608	-	8,608
Investments in associates and joint ventures		19,105	21,332	20,323	21,332
Deferred income tax assets		297	-	325	-
Other financial assets		1,084	1,084	1,084	1,084
Total non-current assets		2,099,461	2,105,024	2,088,299	2,093,072
Current assets					
Inventories		4,202	2,214	3,703	1,751
Prepayments		236	2,440	805	358
Trade receivables		45,310	37,782	60,686	51,657
Other receivables	6	88,911	79,181	89,236	67,874
Term deposits		136,618	136,618	43,000	43,000
Cash and cash equivalents		126,281	118,227	75,664	65,152
Total current assets		401,558	376,462	273,094	229,792
TOTAL ASSETS		2,501,019	2,481,486	2,361,393	2,322,864
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		267,179	266,960	296,353	296,353
Legal reserve		50,477	50,433	47,730	47,665
Other reserves		979,738	979,654	-	-
Retained earnings		62,243	66,951	1,035,947	1,040,304
Equity attributable to owners of the parent company		1,893,589	1,897,950	1,913,982	1,918,274
Non-controlling interest		4,253	-	3,359	-
Total equity		1,897,842	1,897,950	1,917,341	1,918,274
Non-current liabilities					
Grants	7	182,359	182,359	42,349	42,349
Deferred income		14,642	14,642	15,417	15,417
Other non-current accounts payable and liabilities		7,458	7,273	459	438
Deferred income tax liabilities		178,588	178,588	193,627	193,548
Total non-current liabilities		383,047	382,862	251,852	251,752
Current liabilities					
Trade payables		54,921	52,459	66,230	60,974
Advance amounts received		4,340	1,363	11,298	2,026
Income tax payable		7,162	6,800	12,693	12,662
Other amounts payable	8	153,707	140,052	101,979	77,176
Total current liabilities		220,130	200,674	192,200	152,838
Total liabilities		603,177	583,536	444,052	404,590
TOTAL EQUITY AND LIABILITIES		2,501,019	2,481,486	2,361,393	2,322,864

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 TWELVE MONTH PERIOD ENDED 31 DECEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

	Note	Group 2011 (unaudited)	Company 2011 (unaudited)	Group 2010 (restated)	Company 2010 (restated)
Revenue					
Sales revenue		383,193	383,052	42,820	42,820
Other operating income		51,613	5,892	6,969	309
		434,806	388,944	49,789	43,129
Expenses					
Purchase of electricity or related services		(201,300)	(203,700)	(27,184)	(27,334)
Depreciation and amortisation		(133,612)	(132,488)	(11,007)	(10,915)
Salaries and related expenses		(35,823)	(17,185)	(3,913)	(1,648)
Repair and maintenance expenses		(15,997)	(25,377)	(5,266)	(2,143)
Telecommunications and IT costs		(13,374)	(12,535)	(1,115)	(1,081)
Write-off expenses/reversals of non-current assets		(12,929)	(12,929)	(4,223)	(4,223)
Other expenses		(46,160)	(10,608)	(3,861)	(2,569)
Total expenses		(459,195)	(414,822)	(56,569)	(49,913)
OPERATING PROFIT (LOSS)		(24,389)	(25,878)	(6,780)	(6,784)
Finance income		2,574	2,375	97	73
Finance costs:					
Share of results of activities of associates and joint ventures		419	-	(204)	-
Other finance costs		(17)	(8)	(7)	-
		2,976	2,367	(114)	73
PROFIT (LOSS) BEFORE INCOME TAX		(21,413)	(23,511)	(6,894)	(6,711)
Current year income tax expense		(12,150)	(11,772)	(2,454)	(2,275)
Deferred income tax income		15,085	14,960	1,874	1,819
		2,935	3,188	(580)	(456)
PROFIT (LOSS) FOR THE PERIOD		(18,478)	(20,323)	(7,474)	(7,167)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		(18,881)	(20,323)	(7,481)	(7,167)
Non-controlling interest		403	-	7	-
		(18,478)	(20,323)	(7,474)	(7,167)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		(18,881)	(20,323)	(7,481)	(7,167)
Non-controlling interest		403	-	7	-
		(18,478)	(20,323)	(7,474)	(7,167)
Basic and diluted (deficit) per share (in LTL)		(0.04)	-	(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 COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 DECEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

	Group October- December 2011	Company October- December 2011	Group October- December 2010	Company October- December 2010
Note	(unaudited)	(unaudited)	(restated)	(restated)
Revenue				
Sales revenue	103,211	103,146	42,820	42,820
Other operating income	18,354	2,125	6,969	309
	121,565	105,271	49,789	43,129
Expenses				
Purchase of electricity or related services	(52,974)	(53,562)	(27,184)	(27,334)
Depreciation and amortisation	(33,108)	(32,828)	(11,007)	(10,915)
Write-off expenses of non-current assets	(12,160)	(12,160)	(4,223)	(4,223)
Salaries and related expenses	(10,988)	(5,631)	(3,913)	(1,648)
Repair and maintenance expenses	(5,017)	(8,653)	(5,266)	(2,143)
Telecommunications and IT costs	(2,524)	(2,282)	(1,115)	(1,081)
Other expenses	(13,715)	(795)	(3,861)	(2,569)
Total expenses	(130,486)	(115,911)	(56,569)	(49,913)
OPERATING PROFIT (LOSS)	(8,921)	(10,640)	(6,780)	(6,784)
Finance income	463	419	97	73
Finance costs:				
Share of results of activities of associates and joint ventures	(459)	-	(204)	-
Other finance costs	(4)	(2)	(7)	-
	-	417	(114)	73
PROFIT (LOSS) BEFORE INCOME TAX	(8,921)	(10,223)	(6,894)	(6,711)
Current year income tax expense	(3,311)	(3,236)	(2,454)	(2,275)
Deferred income tax income	5,706	5,705	1,874	1,819
	2,395	2,469	(580)	(456)
PROFIT (LOSS) FOR THE PERIOD	(6,526)	(7,754)	(7,474)	(7,167)
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 PROFIT (LOSS) FOR THE PERIOD	(3,881)	(5,109)	(7,474)	(7,167)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	(6,927)	(7,754)	(7,481)	(7,167)
Non-controlling interest	401	-	7	-
	(6,526)	(7,754)	(7,474)	(7,167)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	(4,282)	(5,109)	(7,481)	(7,167)
Non-controlling interest	401	-	7	-
	(3,881)	(5,109)	(7,474)	(7,167)
Basic and diluted (deficit) per share (in LTL)	(0.01)	-	(0.01)	

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

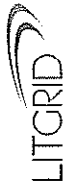


LITGRID AB
Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 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 2009		-	-	-	-	-	-	-	-	-
Equity items formed during the spin-off		504,331	29,621	299,582	47,730	-	1,041,859	1,923,123	3,352	1,926,475
Adjustment made in relation to 3.7 changes in accounting policies		-	-	-	-	-	(1,660)	(1,660)	-	(1,660)
Depreciation of revaluation reserve and amounts written off		-	-	(3,229)	-	-	3,229	-	-	-
Total comprehensive profit (loss)		-	-	-	-	-	(7,481)	(7,481)	7	(7,474)
Balances at 31 December 2010 (restated)		504,331	29,621	296,353	47,730	-	1,035,947	1,913,982	3,359	1,917,341
Balances at 31 December 2010		504,331	29,621	296,353	47,730	-	1,035,947	1,913,982	3,359	1,917,341
Merger of associates		-	-	-	-	-	(1,638)	(1,638)	-	(1,638)
Decrease in interest in the subsidiary and amounts written off		-	-	-	-	-	(92)	(92)	352	260
Depreciation of revaluation reserve and amounts written off		-	-	(29,393)	-	-	29,393	-	-	-
Transfers to reserves	1	-	-	-	2,747	979,738	(982,485)	219	139	358
Revaluation of non-current assets		-	-	219	-	-	-	219	403	(18,478)
Total comprehensive profit (loss)		-	-	-	-	-	(18,881)	(18,881)	-	-
Balances at 31 December 2011		504,331	29,621	267,179	50,477	979,738	62,243	1,893,589	4,253	1,897,842

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 TWELVE MONTH PERIOD ENDED 31 DECEMBER 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 2009								
Equity items formed during the spin-off	12	504,331	29,621	299,582	47,665	-	1,045,902	1,927,101
Adjustment made in relation to changes in accounting policies	3,7, 12	-	-	-	-	-	(1,660)	(1,660)
Depreciation of revaluation reserve and amounts written off		-	-	(3,229)	-	-	3,229	-
Total comprehensive profit (loss)		-	-	-	-	-	(7,167)	(7,167)
Balances at 31 December 2010 (restated)		504,331	29,621	296,353	47,665	-	1,040,304	1,918,274
Balances at 31 December 2010		504,331	29,621	296,353	47,665	-	1,040,304	1,918,274
Depreciation of revaluation reserve and amounts written off		-	-	(29,393)	-	-	29,393	-
Transfers to reserves	1	-	-	-	2,768	979,654	(982,422)	-
Total comprehensive profit (loss)		-	-	-	-	-	(20,323)	(20,323)
Balances at 31 December 2011		504,331	29,621	266,960	50,433	979,654	66,951	1,897,950

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 TWELVE MONTH PERIOD ENDED 31 DECEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

	Note	Group 2011 (unaudited)	Company 2011 (unaudited)	Group 2010 (restated)	Company 2010 (unaudited)
Cash flows from operating activities					
Profit (Loss) for the period		(18,478)	(20,323)	(7,474)	(7,167)
Adjustments for non-cash items and other adjustments:					
Depreciation and amortisation expenses	4,5	135,479	134,355	11,165	11,074
Impairment charge on assets		(99)	-	(15)	-
Share of profit of associates and joint ventures		(419)	-	204	-
Income tax expenses		(2,935)	(3,188)	580	456
(Income) from grants		(1,867)	(1,867)	(158)	(158)
Loss on write-off of property, plant and equipment	5	13,619	13,619	4,390	4,390
Elimination of results of financing and investing activities:					
- Interest (income)		(2,564)	(2,372)	(97)	(92)
- Other finance costs		1,289	1,289	7	-
Changes in working capital					
(Increase) decrease in trade receivables and other amounts receivable		15,701	2,567	(22,903)	(14,339)
(Increase) decrease in inventories and prepayments		70	(2,545)	1,295	(105)
Increase (decrease) in accounts payable and advance amounts received		179,647	200,193	7,469	15,835
Cash generated from operating activities		319,443	321,728	(5,537)	9,894
Income tax paid		(17,607)	(17,634)	-	-
Net cash generated from operating activities		301,836	304,094	(5,537)	9,894
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets		(159,154)	(158,502)	(458)	(305)
Interest received		1,283	1,091	97	92
Investments held to maturity		(93,600)	(93,600)	(17,000)	(17,000)
Decrease in interest in the subsidiary		260	-	-	-
Increases (decreases) in other cash flows from investing activities		(8)	(8)	-	-
Net cash used in investing activities		(251,219)	(251,019)	(17,361)	(17,213)
Cash flows from financing activities					
Cash and cash equivalents received during the spin-off		-	-	98,727	72,471
Repayments of borrowings		-	-	(158)	-
Interest (paid)		-	-	(7)	-
Net cash used in financing activities		-	-	98,562	72,471
Net (decrease) in cash flows		50,617	53,075	75,664	65,152
Cash and cash equivalents at the beginning of the year		75,664	65,152	-	-
Cash and cash equivalents at the end of the period		126,281	118,227	75,664	65,152

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 CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 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, established under the terms and conditions of the reorganisation of Lietuvos Energija AB, approved by the decision of the Extraordinary General Meeting of Shareholders of Lietuvos Energija AB dated 28 October 2010 and 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.

LITGRID is the Lithuanian electricity transmission system operator managing electricity flows in Lithuania and maintaining stable operation of the national electricity system. LITGRID is also in charge of the integration and development of the electricity market of Lithuania as well as the operation and development of the electricity transmission grid – strategic projects of electricity interconnections with Sweden and Poland, which will ensure energy independence of Lithuania.

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.

With effect from 1 January 2010, the function of the transmission system operator was carried out by the Company's subsidiary LITGRID AB. 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 Company's subsidiary 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 National Control Commission for Prices and Energy (hereafter "the Commission") granted to the Company a license of the electricity transmission system operator the validity of which commenced after the merger of the companies on 1 March of 2011, 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.

As at 30 December 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.

	<u>Ownership interest (in LTL)</u>	<u>Number of shares held (%)</u>
Visagino Atominė Elektrinė UAB	491,736,153	97.5 %
Other shareholders	<u>12,595,227</u>	<u>2.5 %</u>
Total	<u>504,331,380</u>	<u>100 %</u>

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.

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

NOTES TO THE CONDENCED INTERIM FINANCIAL INFORMATION
 FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 2011
 (All amounts in LTL thousands unless otherwise stated)

1. General information (continued)

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 31 December 2011	Share capital at 31 December 2011	Profit/ (loss) for 2011	Equity at 31 December 2011	Principal activities
BALTPool UAB	A. Juozapavičiaus g. 13, Vilnius	67 %	475	573	1,277	Activities related to the electricity market operator
TETAS UAB	Senamiesčio g. 102B, Panevėžys	61 %	5,651	1,191	9,860	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 31 December 2011 is as follows:

Company	Address of the registered office	Shareholding of the Group at 31 December 2011	Share capital at 31 December 2011	Principal activities
UAB Technologijų ir Inovacijų Centras	Žvejų g. 14, Vilnius	20 %	76,513	IT services
UAB "Elektros Tinklo Paslaugos"	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 %	1,570	Designing of electricity transmission interconnection facilities

There were 623 employees in the Group as at 31 December 2011 (627 as at 31 December 2010), 205 employees in the Company as at 31 December 2011 (208 employees as at 31 December 2010).

2. Basis of preparation

This Company's and consolidated Group's condensed interim financial information for the twelve month period ended 31 December 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.

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.

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

Public service obligations (PSO) service fees allocated for the implementation of strategic projects are recognised as asset-related grants.

3.6 Income and expense recognition

Under the PSO scheme approved by Order No. 1-283 of 8 October 2010 of the Minister of Energy of the Republic of Lithuania the Company acts as an administrator of PSO service fees by collecting and disbursing PSO service fees.

PSO service fees are the fees paid to the suppliers providing PSO services, which list is appointed by the Government of the Republic of Lithuania or its authorised institution. Annual PSO services fees determined by the National Control Commission for Prices and Energy (hereafter "the Commission"). PSO services fees are collected from electricity customers using the tariff for PSO services established by the Commission, which established on Commission evaluated difference before Company's/Group's collected and disbursing PSO services fees for the previous year.

Company / Group recognizes PSO revenues :

- PSO funds allocated to the Company by Commission for connection to the transmission grid of electricity generation facilities using wind, biomass, solar and hydropower for electricity generation and PSO funds for the transmission network optimization, development and (or) the reconstruction related to transportation of electricity produced from renewable resources;
- PSO funds allocated to the Company by Commission for the balancing of electricity produced from renewable resources;
- The difference between the actual balancing costs of electricity produced from renewable resources and PSO funds allocated to the Company by Commission for the balancing;
- PSO funds allocated to the Company by Commission for the administration of PSO fund.

3.7 Change in accounting policies. Restatement of comparatives

In 2010 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, from 2011 management decided to make changes in the accounting policy applied to PSO service fees being administered. Only the amount of PSO service fees listed in note 3.6 is recognised as income by the Company/Group. A difference between PSO service fees received and disbursed is recognised in accounts receivable (payable).

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. Receivable amounts for PSO services are transferred from trade receivables to other receivables, payable amounts for PSO services transferred from trade payables to other amounts payable.

Receivable amounts from participants of electricity market transferred from trade receivables to other receivables, payable amounts for participants of electricity market transferred from trade payables to other amounts payable.

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

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

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)	Adjust- ment to PSO service fees	Adjustment of receivables and payables amounts from/to participants of electricity market	At 31 December 2010 (restated)
Current assets				
Trade receivables	139,485	(57,410)	(21,389)	60,686
Other receivables	10,437	57,410	21,389	89,236
TOTAL ASSETS	2,361,393	-	-	2,361,393
Capital and reserves:				
Retained earnings (deficit)	1,047,454	(11,507)	-	1,035,947
Equity attributable to owners of the parent company	1,925,489	(11,507)	-	1,913,982
Total equity	1,928,848	(11,507)	-	1,917,341
Current liabilities				
Trade payables	134,330	(46,180)	(21,920)	66,230
Other payables	22,372	57,687	21,920	101,979
Total current liabilities	180,693	11,507	-	192,200
TOTAL EQUITY AND LIABILITIES	2,361,393	-	-	2,361,393

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 12.

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3. Accounting policies (continued)

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

Information about the effect of changes in the accounting policy on the Group's revenue, expenses, profit (loss) and comprehensive income for the period ended 31 December 2010 is given below.

Group	2010	Adjustment to PSO service fees	2010 (restated)
Revenue			
Sales revenue	90,266	(47,446)	42,820
Other operating income	6,969	-	6,969
	97,235	(47,446)	49,789
		-	
Expenses			
Purchase of electricity or related services	(64,783)	37,599	(27,184)
Total expenses	(94,168)	37,599	(56,569)
OPERATING PROFIT (LOSS)	3,067	(9,847)	(6,780)
PROFIT (LOSS) BEFORE INCOME TAX	2,953	(9,847)	(6,894)
PROFIT (LOSS) FOR THE PERIOD	2,373	(9,847)	(7,474)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company	2,366	(9,847)	(7,481)
Non-controlling interest	7	-	7
	2,373	(9,847)	(7,474)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,373	(9,847)	(7,474)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company	2,366	(9,847)	(7,481)
Non-controlling interest	7	-	7
	2,373	(9,847)	(7,474)

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3. Accounting policies (continued)

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.

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 Nekilnojamasis 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.

3. Accounting policies (continued)

3.8 Critical accounting estimates and judgments (continued)

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.

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
at 31 December 2009				
Opening net book amount	-	-	-	-
Assets received during spin-off	-	1,610	33	1,643
Additions	-	159	-	159
Amortisation charge	-	(47)	(5)	(52)
Net book amount at 31 December 2010	-	1,722	28	1,750
Cost	1	4,555	34	4,590
Accumulated amortisation	(1)	(2,833)	(6)	(2,840)
Net book amount at 31 December 2010	-	1,722	28	1,750
Opening net book amount	-	1,722	28	1,750
Additions	-	739	14	753
Amortisation charge	-	(735)	(9)	(744)
Net book amount at 31 December 2011	-	1,726	33	1,759
Cost	1	5,228	48	5,277
Accumulated amortisation	(1)	(3,502)	(15)	(3,518)
Net book amount at 31 December 2011	-	1,726	33	1,759

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

Company	Patents and licenses	Computer software	Other intangible assets	Total
at 31 December 2009				
Opening net book amount	-	-	-	-
Assets received during spin-off	-	1,565	33	1,598
Additions	-	155	-	155
Amortisation charge	-	(45)	(5)	(50)
Net book amount at 31 December 2010	-	1,675	28	1,703
Cost	1	4,438	34	4,472
Accumulated amortisation	(1)	(2,763)	(6)	(2,769)
Net book amount at 31 December 2010	-	1,675	28	1,703
Opening net book amount	-	1,675	28	1,703
Additions	-	442	14	456
Amortisation charge	-	(716)	(9)	(725)
Net book amount at 31 December 2011	-	1,401	33	1,434
Cost	1	4,879	48	4,928
Accumulated amortisation	(1)	(3,478)	(15)	(3,494)
Net book amount at 31 December 2011	-	1,401	33	1,434

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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
at 31 December 2009							
Opening net book amount	-	-	-	-	-	-	-
Assets received during spin-off	1,961	35,096	1,934,150	1,798	43,986	47,159	2,064,150
Additions	-	-	-	70	59	15,332	15,461
Revaluation	-	15	-	-	-	-	15
Write-offs	-	-	(4,390)	-	-	-	(4,390)
Reclassification between groups	-	1,566	24,412	-	2,228	(28,206)	-
Depreciation charge	-	(189)	(10,179)	(39)	(710)	-	(11,117)
Net book amount at 31 December 2010	1,961	36,488	1,943,993	1,829	45,563	34,285	2,064,119
Cost or revaluated amount	1,961	38,936	2,061,505	2,346	86,042	34,285	2,225,075
Accumulated depreciation	-	(2,303)	(116,287)	(517)	(40,479)	-	(159,586)
Accumulated impairment	-	(145)	(1,225)	-	-	-	(1,370)
Net book amount at 31 December 2010	1,961	36,488	1,943,993	1,829	45,563	34,285	2,064,119
Opening net book amount	1,961	36,488	1,943,993	1,829	45,563	34,285	2,064,119
Revaluation	-	-	508	301	579	72,621	74,009
Additions	-	462	-	-	-	-	462
Disposals	-	-	-	(16)	-	-	(16)
Write-offs	-	(105)	(13,168)	-	(170)	(176)	(13,619)
Impairment	-	(7)	-	-	-	-	(7)
Reclassification from assets	-	-	-	-	-	(26)	(26)
Reclassification between groups	-	326	32,939	-	1,086	(34,351)	-
Depreciation charge	-	(2,313)	(123,049)	(476)	(8,897)	-	(134,735)
Net book amount at 31 December 2011	1,961	34,851	1,841,223	1,638	38,161	72,353	1,990,187
Cost or revaluated amount	1,961	39,539	2,070,777	2,395	87,286	72,353	2,274,311
Accumulated depreciation	-	(4,543)	(228,329)	(756)	(49,126)	-	(282,754)
Accumulated impairment	-	(145)	(1,225)	-	-	-	(1,370)
Net book amount at 31 December 2011	1,961	34,851	1,841,223	1,638	38,161	72,353	1,990,187

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5. Property, plant and equipment (continued)

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

Company	Land	Buildings	Structures and machinery	Other PP&E	Construction in progress	Total
at 31 December 2009						
Opening net book amount	-	-	-	-	-	-
Assets received during spin-off	1,961	34,253	1,933,911	42,036	47,538	2,059,699
Additions	-	-	-	10	15,354	15,364
Write-offs	-	-	(4,390)	-	-	(4,390)
Reclassification between groups	-	1,566	24,412	2,228	(28,206)	-
Depreciation charge	-	(183)	(10,175)	(668)	-	(11,026)
Net book amount at 31 December 2010	1,961	35,636	1,943,758	43,606	34,686	2,059,647
Cost or revaluated amount	1,961	37,881	2,061,131	83,133	34,686	2,218,792
Accumulated depreciation	-	(2,100)	(116,148)	(39,527)	-	(157,775)
Accumulated impairment	-	(145)	(1,225)	-	-	(1,370)
Net book amount at 31 December 2010	1,961	35,636	1,943,758	43,606	34,686	2,059,647
Opening net book amount	1,961	35,636	1,943,758	43,606	34,686	2,059,647
Additions	-	-	100	435	72,630	73,165
Write-offs	-	(105)	(13,168)	(170)	(176)	(13,619)
Reclassification from assets	-	-	-	-	(26)	(26)
Reclassification between groups	-	326	32,939	1,086	(34,351)	-
Depreciation charge	-	(2,244)	(123,002)	(8,384)	-	(133,630)
Net book amount at 31 December 2011	1,961	33,613	1,840,627	36,573	72,763	1,985,537
Cost or revaluated amount	1,961	38,019	2,069,995	84,523	72,763	2,267,261
Accumulated depreciation	-	(4,261)	(228,143)	(47,950)	-	(280,354)
Accumulated impairment	-	(145)	(1,225)	-	-	(1,370)
Net book amount at 31 December 2011	1,961	33,613	1,840,627	36,573	72,763	1,985,537

As at 31 December 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.

	At 31 December 2011	At 31 December 2010
Interconnection between the electricity transmission systems of Lithuania and Sweden (NORDBALT)	597,783	707,041
Transformer substations	60,778	82,553
Interconnection between the electricity transmission systems of Lithuania and Poland (LitPolLink)	1,706	2,457
Other	59,111	10,336
Total	719,378	802,387

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6. Other receivables

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

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Receivables for administration of PSO services	72,433	72,433	57,410	57,410
Receivables from participants of electricity market	9,933	-	21,389	-
Overpayment receivable for asset management fee	-	-	7,237	7,264
Accrued revenues for PSO services	4,429	4,429	-	-
Accrued interest receivable	1,281	1,281	72	72
VAT receivable from the budget	19	-	1,274	1,274
Other accrued receivables	-	-	1,512	1,512
Other receivables	819	1,038	341	341
Less: allowance for doubtful receivables	(3)	-	-	-
Total	88,911	79,181	89,236	67,874

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

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

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Not past due	83,790	74,060	89,236	67,874
Past due up to 30 days	156	156	-	-
Past due from 30 to 60 days	170	170	-	-
Past due from 60 to 90 days	1,654	1,654	-	-
Past due from 90 days	3,141	3,141	-	-
Total	88,911	79,181	89,236	67,874

7. Grants

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

	Group	Company
Balance at 31 December 2009	-	-
Grants received during the spin-off (note 32)	42,507	42,507
Utilised during the period	(158)	(158)
Balance at 31 December 2010	42,349	42,349
Balance at 31 December 2010	42,349	42,349
Received during the period	142,196	142,196
Utilised during the period	(2,186)	(2,186)
Balance at 31 December 2011	182,359	182,359

Grants received during the period included financing received from the EU Structural Funds (LTL 49,887 thousand) and PSO service fees received for the implementation of strategic projects (LTL 92,030 thousand).

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8. Other amounts payable

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Amounts payable for PSO services	59,477	59,477	46,180	46,180
Accrued liability for PSO services	64,677	64,677	11,507	11,507
Payables from participants of electricity market	10,582	-	21,709	-
*Advances received from new customers	7,345	7,345	13,546	13,546
VAT payable to the budget	3,622	2,773	4,869	3,981
Amounts payable for contractual works, other services	867	378	1,054	424
Vacation reserve	1,593	965	1,404	781
Other accrued expenses	2,335	1,820	1,153	539
Real estate tax payable	1,193	1,192	199	197
Other accounts payable and current liabilities	2,016	1,425	358	21
Total	153,707	140,052	101,979	77,176

The fair value of trade payables approximates their carrying amounts.

*This item represents advances received for the connection of new users to the electricity networks. These advances will be reclassified to deferred revenue upon the provision of connection services.

LITGRID AB

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

NOTES TO THE CONDENCED INTERIM FINANCIAL INFORMATION
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9. 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.

Transmission service is the transmission of electricity through the high voltage electricity grid (330 -110 kV) from generators to consumers or suppliers up to the point defined in the contract. The main goal of this activity is to ensure reliable, efficient, quality, transparent and safe transmission of electricity to distribution networks, large users of the grid from power plants and neighboring electricity systems.

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

Capacity reserve is a measure to ensure reliable system operation. Capacity reserve is necessary, when in the unexpected cases electricity generation is reduced and consumption is increased. In such cases the generator provides capacity reserve guarantee and the service of reserve capacity maintenance of spinning or cold-reserve electricity generation sources.

Company supplies such PSO services:

- development and implementation of strategic projects related to improving the energy security, by building interconnections Lithuania-Sweden and Lithuania- Poland and connecting Lithuanian electricity system with ENTSO-E continental Europe grid;
- connection to the transmission grid of electricity generation facilities which use wind, biomass, solar and hydropower for electricity generation and transmission network optimization, development and (or) reconstruction related to transportation of electricity produced from renewable resources;
- balancing of electricity produced from renewable resources;
- administration of PSO fund.

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 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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9. Segment information (continued)

The table below shows the Group's information on segments for the period ended 31 December 2011.

	Business segments generating revenue from external sales							Total	
	2011	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
Revenue	388,944	236,452	86,782	55,481	10,229	2,551	55,635	-	447,130
Inter-segment revenue	(2,785)	(2,785)	-	-	-	-	(9,539)	-	(12,324)
Revenue, net of inter- segment revenue	386,159	233,667	86,782	55,481	10,229	2,551	46,096	-	434,806
Expenses	414,821	273,395	67,045	64,152	10,229	2,118	54,571	-	471,510
Inter-segment expenses	(2,785)	(2,785)	-	-	-	-	(9,539)	9	(12,315)
Expenses, net of inter- segment expenses	412,036	270,610	67,045	64,152	10,229	2,118	45,032	9	459,195
Operating profit (loss)	(25,877)	(36,943)	19,737	(8,671)	-	433	1,064	(9)	(24,389)
Depreciation and amortisation expenses	132,488	132,488	-	-	-	1	1,123	-	133,612
Net finance income (costs)	2,785	2,785	-	-	-	190	1	-	2,976
Profit (loss) before income tax	(23,093)	(34,159)	19,737	(8,671)	-	624	1,065	(9)	(21,413)
Income tax	3,188	3,188	-	-	-	(50)	(203)	-	2,935
Profit (loss) for the period	(19,905)	(30,971)	19,737	(8,671)	-	574	862	(9)	(18,478)

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9. Segment information (continued)

The table below shows the Group's information on segments for the period ended 31 December 2011.

	Business segments generating revenue from external sales							Total
	2010	Including:					Other inter-segment eliminations	
		Trans-mission system operator	Trans-mission	Trade in balancing/regulating electricity	Sales of capacity reserve services	Public service obligations electricity sale		
Revenue	43,130	28,580	7,273	7,277	-	150	7,443	50,723
Inter-segment revenue	(170)	(170)	-	-	-	-	(764)	(934)
Revenue, net of inter-segment revenue	42,960	28,410	7,273	7,277	-	150	6,679	49,789
Expenses	49,914	30,398	6,451	13,065	-	291	7,276	57,481
Inter-segment expenses	(170)	(170)	-	-	-	-	(742)	(912)
Expenses, net of inter-segment expenses	49,744	30,228	6,451	13,065	-	291	6,534	56,569
Operating profit (loss)	(6,784)	(1,818)	822	(5,788)	-	(141)	145	(6,780)
Depreciation and amortisation expenses	10,915	10,915	-	-	-	-	92	11,007
Net finance income (costs)	(131)	(131)	-	-	-	19	(2)	(114)
Profit (loss) before income tax	(6,915)	(1,949)	822	(5,788)	-	(122)	143	(6,894)
Income tax	(454)	(454)	-	-	-	22	(148)	(580)
Profit (loss) for the period	(7,369)	(2,403)	822	(5,788)	-	(100)	(5)	(7,474)

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(All amounts in LTL thousands unless otherwise stated)

9. Segment information (continued)

The Group operates in Lithuania. Group's revenue from Lithuanian customers consists of 99 percent of total revenue of the Group.

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 2011	Company 2011	Group 2010	Company 2010
Lithuania	431,249	385,387	49,391	42,731
Russia	1,859	1,859	389	389
Latvia	793	793	9	9
Estonia	905	905	-	-
Total	434,806	388,944	49,789	43,129

All assets of the Group and the Company are located in Lithuania. During the period ended 31 December 2011, the Group's income from one external customer (Visagino Atominė Elektrinė Group's companies) amounted to LTL 306,910 thousand (for the period from Company's establishment to 31 December 2010 LTL 70,949 thousand).

10. Related-party transactions

The Group's transactions with related parties during the twelve-month period ended 31 December 2011 and the balances arising from these transactions as at 31 December 2011 are presented below.

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Associates of the Group	2,626	804	25,250	4,387
Parent entity of the Group (Visagino Atominė Elektrinė UAB)	-	-	-	-
Other entities controlled by the Ministry of the Energy of the Republic of Lithuania	58,352	100,655	674,612*	1,292,757**
Total	60,978	101,459	699,862	1,297,144

* Including LTL 326,115 thousands PSO service fees disbursed to related parties and LTL 217,695 thousands BALTPOOL purchased electricity from related parties

** Including LTL 521,885 thousands PSO service fees received from the related parties and LTL 518,007 thousands BALTPOOL sold electricity to related parties

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10. Related-party transactions (continued)

The Company's transactions with related parties during the twelve-month period ended 31 December 2011 and the balances arising from these transactions as at 31 December 2011 are presented below.

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Associates of the Company	4,706	2,573	41,259	385
Subsidiaries of the Company	2,576	804	25,209	4,387
Parent entity of the Group (Visagino Atominė Elektrinė UAB)	-	-	-	-
Other entities controlled by the Ministry of the Energy of the Republic of Lithuania	56,789	88,385	452,420*	795,865**
Total	64,071	91,762	518,888	800,637

*Including LTL 326,115 thousands PSO service fees disbursed to related parties

** Including LTL 521,885 thousands PSO service fees received from the related parties

The Group's transactions with related parties for the period from Company's establishment to 31 December 2010 and the balances arising from these transactions as at 31 December 2010 are presented below.

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Associates of the Group	2,835	706	4,878	389
Parent entity of the Group (Visagino Atominė Elektrinė UAB)	-	-	-	-
Other entities controlled by the Ministry of the Energy of the Republic of Lithuania	68,407	125,684	108,829*	208,005**
Total	71,242	126,390	113,707	208,394

*Including LTL 34,908 thousands PSO service fees disbursed to related parties and LTL 63,802 thousands BALTPOOL purchased electricity from related parties

** Including LTL 42,378 thousands PSO service fees received from the related parties and LTL 124,410 thousands BALTPOOL sold electricity to related parties

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

10. Related-party transactions (continued)

The Company's transactions with related parties for the period from Company's establishment to 31 December 2010 and the balances arising from these transactions as at 31 December 2010 are presented below.

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Associates of the Company	2,526	124	2,080	2,600
Subsidiaries of the Company	1,811	25,633	27,709	19,408
Parent entity of the Group (Visagino Atominė Elektrinė UAB)	-	-	-	-
Other entities controlled by the Ministry of the Energy of the Republic of Lithuania	103,281	59,519	43,571*	78,726**
Total	107,618	85,276	73,360	100,734

*Including LTL 34,908 thousands PSO service fees disbursed to related parties

** Including LTL 42,378 thousands PSO service fees received from the related parties

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 2011	Company 2011	Group 2010	Company 2010
Employment-related payments	2,447	1,416	173	91
Termination benefits	262	223		
Other material amounts calculated for key management personnel	-	-	-	-
Number of key management personnel	15	8	17	8

Management consists of heads of administration and their deputies (directors of the departments), and the chief financier.

11. Basic and diluted earnings (deficit) per share

In 2011 and 2010, basic and diluted (deficit) per share was as follows:

	2011	2010
Net profit (loss) attributable to the Group's shareholders (LTL thousands)	(18,881)	(7,481)
Weighted average number of shares (units)	504,331,380	504,331,380
Basic and diluted (deficit) per share (in LTL)	(0.037)	(0.015)

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12. 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.

Receivable amounts for PSO services are transferred from trade receivables to other receivables, payable amounts for PSO services transferred from trade payables to other amounts payable.

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	2,053,137	6,510	-	-	2,059,647
Prepayments for property, plant, equipment	698	-	-	-	698
Investments in subsidiaries	18,038	318	(9,748)	-	8,608
Investments in associates and joint ventures	19,032	-	2,300	-	21,332
Other financial assets	910	2,474	(2,300)	-	1,084
Total non-current assets	2,092,330	10,490	(9,748)	-	2,093,072
Current assets					
Inventories	1,750	1	-	-	1,751
Prepayments	57	301	-	-	358
Trade receivables	13,424	109,067	(13,424)	(94,421)	14,646
Other receivables	1,639	9,095	(270)	94,421	104,885
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)	-	229,792
TOTAL ASSETS	2,151,361	195,945	(23,442)	-	2,322,864

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 (All amounts in LTL thousands unless otherwise stated)

12. 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	-	(11,507)	1,040,304
Total equity	1,860,393	79,136	(9,748)	(11,507)	1,918,274
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	(79)	-	-	193,548
Total non-current liabilities	251,627	125	-	-	251,752
Current liabilities					
Trade payables	22,548	98,300	(13,694)	(46,180)	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	-	57,687	19,489
Total current liabilities	39,341	115,684	(13,694)	11,507	152,838
Total liabilities	290,968	115,809	(13,694)	11,507	404,590
TOTAL EQUITY AND LIABILITIES	2,151,361	194,945	(23,442)	-	2,322,864

13. Significant events after the balance sheet date

There was no significant events after the balance sheet date in Group/Company.
