



TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3-4
STATEMENTS OF FINANCIAL POSITION	6
STATEMENTS OF COMPREHENSIVE INCOME	8
STATEMENTS OF CHANGES IN EQUITY	10-13
NOTES TO THE FINANCIAL STATEMENTS	15–53
CONSOLIDATED ANNUAL REPORT	69-111

The financial statements were signed on xx March 2012

Virgilijus Poderys General Director Vytautas Tauras Director of Finance Department Tatjana Didikienė Chief Financier







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

Independent Auditor's Report

To the shareholders of LITGRID AB

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial statements') of LITGRID AB ('the Company') and its subsidiaries (collectively 'the Group') set out on pages 5-53 which comprise the stand alone and consolidated statement of financial position as of 31 December 2011 and the stand alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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PricewaterhouseCoopers UAB, company code 111473315, VAT payer's code LT114733113, registered office at J. Jasinskio 16B, LT-01112 Vilnius, is a private company registered with the Legal Entities' Register of the Republic of Lithuania. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.



Basis for Qualified Opinion

According to the Company's and the Group's accounting policy, property, plant and equipment should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 3.25 to the financial statements, amendments to the legislation may have had a significant adverse impact on the fair value and recoverable amount of the Company's and the Group's assets. The management has not reassessed fair values of property, plant and equipment with the carrying amounts of LTL 1,986 million and LTL 1,989 million, respectively, as of 31 December 2011 (LTL 2,060 million and LTL 2,063 million, respectively, as of 31 December 2010), or carried out a proper impairment test. It has not been possible to estimate reliably the effects of this non-compliance on the Financial statements.

Qualified opinion

In our opinion, except for the effect of the matter described in the *Basis for Qualified* paragraph, the accompanying Financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2011, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2011 set out on pages 54 - 88 and have not noted any material inconsistencies between the financial information included in it and the audited Financial statements for the year ended 31 December 2011.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla

Partner

Auditor's Certificate No.000457

Authorised to act for and on behalf of PricewaterhouseCoopers UAB

based on the Power of Attorney dated 16 June 2010

Vilnius, Republic of Lithuania 26 March 2012



STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

	Note	Group As at 31 December 2011	Company As at 31 December 2011	Group As at 31 December 2010	Company As at 31 December 2010
Non-current assets:				restated	restated
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	3	87,029	87,029	698	698
Investments in subsidiaries	6	-	8,608	-	8,608
Investments in associates and jointly controlled entities	6	20,804	21,332	20,323	21,332
Deferred income tax assets	20	297	-	325	79
Available-for-sale financial assets	7	1,084	1,084	1,084	1,084
Total non-current assets		2,101,160	2,105,024	2,088,299	2,093,151
Current assets:					
Inventories	8	4,202	2,214	3,703	1,751
Prepayments	0	236	2,440	805	358
Trade receivables	9	45,310	37,782	60,686	51,657
Other accounts receivable	10	88,911	79,181	89,236	67,874
Other financial assets	35	61,096	61,096	1,660	1,660
Time deposits	11	115,079	115,079	43,000	43,000
Held-to-maturity investments	12	21,539	21,539	-5,000	+5,000
Cash and cash equivalents	13	65,185	57,131	74,004	63,492
Total current assets	13	401,558	376,462	273,094	229,792
TOTAL ACCETS		2 502 710	2 491 496		2 222 042
TOTAL ASSETS		2,502,718	2,481,486	2,361,393	2,322,943
EQUITY AND LIABILITIES					
Capital and reserves:					
Share capital	14	504,331	504,331	504,331	504,331
Share premium	14	29,621	29,621	29,621	29,621
Revaluation reserve	15	267,179	266,960	296,353	296,353
Legal reserve	16	50,477	50,433	47,730	47,665
Other reserves	16	979,738	979,654	-	-
Retained earnings (deficit)		63,942	66,951	1,035,947	1,040,304
Equity attributable to the shareholders					
of the parent company		1,895,288	1,897,950	1,913,982	1,918,274
Non-controlling interest Total equity		4,253 1,899,541	- 1,897,950	3,359 1,917,341	- 1,918,274
Total equity		1,055,541	1,037,330	1,517,541	1,310,274
Non-current liabilities:					
Grants	17	182,359	182,359	42,349	42,349
Deferred income	18	14,642	14,642	15,417	15,417
Other non-current accounts payable and liabilities	19	7,458	7,273	459	438
Deferred income tax liabilities	20	178,588	178,588	193,627	193,627
Total non-current liabilities		383,047	382,862	251,852	251,831
Current liabilities:					
Trade payables	21	54,921	52,459	66,230	60,974
Advance amounts received	22	4,340	1,363	11,298	2,026
Income tax payable		7,162	6,800	12,693	12,662
income tax payable					
Other accounts payable	23	153,707	140,052	101,979	77,176
	23	153,707 220,130	140,052 200,674	101,979 192,200	//,1/6 152,838
Other accounts payable	23				



STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

	Note	Group 2011	Company 2011	Group 2010	Company 2010
Revenue				restated	restated
Sales of electricity and related services	24, 25	383,193	383,052	42,820	42,820
Other revenue Total revenue	26	51,613 434,806	5,892 388,944	6,969 49,789	309 43,129
Total revenue		434,000	300,944	49,769	43,129
Operating expenses					
Purchase of electricity and related services	4 5 47	(201,300)	(203,700)	(27,184)	(27,334)
Depreciation and amortisation Wages and salaries and related expenses	4,5,17	(133,612) (35,823)	(132,488) (17,185)	(11,007) (3,913)	(10,915) (1,648)
Repair and maintenance expenses		(15,997)	(25,377)	(5,266)	(2,143)
Telecommunications and IT systems expenses		(13,374)	(12,535)	(1,115)	(1,081)
Write-off of property, plant and equipment		(12,929)	(12,929)	(4,223)	(4,223)
Other expenses		(46,160)	(10,608)	(3,861)	(2,569)
Total operating expenses	25	(459,195)	(414,822)	(56,569)	(49,913)
OPERATING PROFIT (LOSS)		(24,389)	(25,878)	(6,780)	(6,784)
Finance income	27	2,574	2,375	97	73
Finance costs	21	(17)	(9)	(7)	-
Finance income, net		2,557	2,366	90	73
		,	,		
Share of profit/(loss) of associates and jointly					
controlled entities	6	419	-	(204)	-
Gain on change in ownership interest in associate	6	1,699	-	-	-
PROFIT (LOSS) BEFORE INCOME TAX		(19,714)	(23,512)	(6,894)	(6,711)
Current year income tax expense	20	(12,150)	(11,772)	(2,454)	(2,275)
Deferred tax income (expense)	20	15,085	14,960	1,874	1,819
		2,935	3,188	(580)	(456)
NET PROFIT (LOSS) FOR THE YEAR		(16,779)	(20,324)	(7,474)	(7,167)
Other comprehensive income					
Gain on revaluation of property, plant and equipment,					
net of deferred income tax		358	-	-	-
Share of comprehensive income of associate	6	(1,639)	-	-	-
Other comprehensive income, net of deferred income tax		(1,281)	-	-	-
COMPREHENSIVE INCOME (LOSS)		(18,060)	(20,324)	(7,474)	(7,167)
NET PROFIT (LOSS) ATTRIBUTABLE TO:					
Owners of the Company		(17,182)	(20,324)	(7,481)	(7,167)
Non-controlling interest		403	-	7	· -
		(16,779)	(20,324)	(7,474)	(7,167)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE	TO:				
Owners of the Company		(18,602)	(20,324)	(7,481)	(7,167)
Non-controlling interest		542	-	7	-
		(18,060)	(20,324)	(7,474)	(7,167)
Basic and diluted earnings (deficit) per share (in LTL)	29	(0.03)	-	(0.01)	-



STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

		Equity attributable to owners of the Company								
Group N	Note	Share capital	Share premium	Revalua- tion reserve	Legal reserve	Other reserves	Retained ear- nings		Non- ntrolling nterest	Total g equity
Balance at 1 January 2010		-	-	-	-	-	-	-	-	-
Equity arising on 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 changes in accounting policies	3.18	-	-	-	-	-	(1,660)	(1,660)	-	(1,660)
Comprehensive income	:									
Net profit (loss)		-	-	-	-	-	(7,481)	(7,481)	7	(7,474)
Depreciation of revalua- tion reserve and amounts written off	15	-	-	(3,229)	-	-	3,229	-	-	-
Total comprehensive income (loss)		-	-	(3,229)	-	-	(4,252)	(7,481)	7	(7,474)
Balance at 31 December		F04 221	20.624		47 720				2 250	
2010 (restated)		504,331	29,621	296,353	47,730			1,913,982		1,917,341
Balance at 1 January 201		504,331	29,621	296,353	47,730	-	1,035,947	1,913,982	3,359	1,917,341
Comprehensive income							(17.102)	(17.102)	402	(16.770)
Net profit (loss)		-	-	-	-	-	(17,182)	(17,182)	403	(16,779)
Share of comprehensive income of associate	6	-	-	-	-	-	(1,639)	(1,639)	-	(1,639)
Revaluation of property, plant and equipment	15	-	-	219	-	-	-	219	139	358
Depreciation of revalua- tion reserve and amounts written off	15	-	_	(29,393)	_	_	29,393	_	-	_
Total comprehensive income (loss)		-	-	(29,174)	-	-	10,572	(18,602)	542	(18,060)
Transactions with owner	rs							•		
Decrease in ownership interest in subsidiary not resulting in loss of control	6	_	<u>-</u>	_	_	_	(92)	(92)	352	260
Transfers to reserves	1	_			2,747	979,738	(982,485)	-		-
Total transactions with owners		-	-	-	2,747	979,738	(982,577)	(92)	352	260
Balance at 31 December 2011		504,331	29,621	267,179	50,477	979,738		1,895,288	4,253	1,899,541

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

Company	Note	Share capital	Share premium	Revalua- tion reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total
Balance at 1 January 2010		-	-	-	-	-	-	-
Equity arising on spin-off		504,331	29,621	299,582	47,665	-	987,397	1,868,596
Adjustment made in relation to changes in accounting policies	3.18	-	-	-	-	-	(1,660)	(1,660)
Comprehensive income								
Merger	33	-	-	-	-	-	58,505	58,505
Net profit (loss)		-	-	-	-	-	(7,167)	(7,167)
Depreciation of revaluation reserve and amounts written off	15	-	-	(3,229)	-	-	3,229	-
Total comprehensive income (loss)		-	-	(3,229)			54,567	51,338
Balance at 31 December 2010 (restated)		504,331	29,621	296,353	47,665	-	1,040,304	1,918,274
Balance at 1 January 2011		504,331	29,621	296,353	47,665	-	1,040,304	1,918,274
Comprehensive income								
Net profit (loss)		-	-	-	-	-	(20,324)	(20,324)
Depreciation of revaluation reserve and amounts written off	15	-	-	(29,393)	-	-	29,393	-
Total comprehensive income (loss)		-	-	(29,393)	-	-	9,069	(20,324)
Transactions with owners								
Transfers to reserves	1	-	-	-	2,768	979,654	(982,422)	-
Total transactions with owners		-	-	-	2,768	979,654	(982,422)	-
Balance at 31 December 2011		504,331	29,621	266,960	50,433	979,654	66,951	1,897,950



STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousand, unless otherwise stated)

	Note	Group 2011	Company 2011	Group 2010	Company 2010
Cash flows from operating activities				restated	restated
Net profit (loss)		(16,779)	(20,324)	(7,474)	(7,167)
Reversal of non-monetary expenses (income)		(10,773)	(20,324)	(7,777)	(7,107)
and other adjustments					
Depreciation and amortisation expense	4,5	135,479	134,355	11,165	11,076
impairment of property, plant and equipment	5	133,473	154,555	(15)	-
Gain on revaluation of property, plant and equipment	5	(41)	_	(13)	_
Share of profit/(loss) of associates and jointly	3	(+1)			
controlled entities	6	(419)	-	204	-
Gain on change in ownership interest in associate	6	(1,699)	-	-	-
Income tax expense/(income)	20	(2,935)	(3,188)	580	456
Loss on write-off of property, plant and equipment	5	13,619	13,619	4,390	4,390
Amortisation of grants	17	(1,867)	(1,867)	(158)	(158)
Interest income	27	(2,564)	(2,372)	(97)	(73)
Finance costs		17	9	7	72
Change in other financial assets	35	(59,436)	(59,436)	(1,660)	(1,660)
Changes in working capital					
(Increase) decrease in trade receivables and					
other receivables		16,980	3,849	(22,903)	(14,339)
(Increase) decrease in inventories and prepayments		70	(2,545)	1,295	(105)
Increase (decrease) in accounts payable, grants and			,		` ,
advance amounts received		39,070	59,790	7,469	15,835
Cash flows from operations		119,502	121,890	(7,197)	8,327
Income tax paid		(17,670)	(17,634)	-	-
Net cash generated from operating activities		101,832	104,256	(7,197)	8,327
Cash flows from investing activities					
Purchase of property, plant and equipment					
and intangible assets		(160,755)	(160,277)	(458)	(307)
Grants received	17	142,196	142,196	(430)	(307)
Interest received	17	1,283	1,091	97	1
Investments in time deposits		(72,079)	(72,079)	(17,000)	(17,000)
Purchase of held-to-maturity investments	12	(21,539)	(21,539)	(17,000)	(17,000)
Other	12	(17)	(9)	_	_
Net cash used in investing activities		(110,911)	(110,617)	(17,361)	(17,306)
		(===)	(===,===,	(== /= == /	(== /==)
Cash flows from financing activities					
Contributions made by non-controlling interest to					
the share capital of subsidiary		260	-	-	-
Repayments of borrowings		-	-	(158)	-
Interest paid		-	-	(7)	-
Net cash generated from financing activities		260	-	(165)	-
Net increase/(decrease) in cash and					
cash equivalents		(8,819)	(6,361)	(24,723)	(8,979)
Cash and cash equivalents received on spin-off		(0,019)	(0,301)	98,727	72,471
Cash and cash equivalents at the beginning of the period	13	74,004	63,492	50,727	, , , , , ,
Cash and cash equivalents at the beginning of the period	13	65,185	57,131	74,004	63,492
and don't equivalence at the end of the period		03,103	0.7101	7 .,00	00/102



FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

1. 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 LITGRID or "the Company") is a limited liability profit-making entity established as a result of spin-off of Lietuvos Energija AB operations based the decision of the Extraordinary General Meeting of Shareholders of Lietuvos Energija AB dated 28 October 2010 which was passed to approve the spin-off of Lietuvos Energija AB. The Company was registered with the Register of Legal Entities managed by the public institution Registry Centras on 16 November 2010. The Company's code is 302564383; VAT payer's code is LT100005748413.

In the financial statements of the Company the spin-off was accounted for using book values of assets and liabilities recorded in Lietuvos Energija AB financial statements as at the date of spin-off.

LITGRID is an operator of electricity transmission system operating electricity transmissions in the territory of Lithuania and ensuring the stability of operation of the whole electric power system. In addition, the Company is responsible for the integration and development of the Lithuanian electricity market, as well as for the maintenance and development of electricity transmission network – the strategic projects for electricity interconnections with Sweden and Poland that will ensure the country's energetic independence.

The principal objectives of the Company's activities 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 operator of electricity transmission system has been 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 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.

The merger was accounted for using the predecessor method of accounting. The merged assets and liabilities were not restated to their fair value, instead assets and liabilities were combined at their carrying amounts. The amounts of assets, liabilities, income and expenses of entities merged were combined for all the periods presented in the financial statements (since the establishment of the Company).

On 24 February 2011, the Company was granted a license of the electricity transmission system operator by the National Control Commission for Prices and Energy (the Commission), the validity of which commenced after the merger of the companies on 1 March 2011, i.e. after the expiry of the validity of the license of the subsidiary.

On 14 March 2011, a new version of 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 31 December 2011 and 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 each. All shares are fully paid. As at 31 December 2011 and 2010, the Company's shareholders were as follows:

	Ownership interest (in LTL)	Number of shares held (%)
Visagino Atominė Elektrinė UAB	491,736,153	97.5 %
Other shareholders	12,595,227	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.

Based on the decision of the Company's shareholder's meeting held in April 2011, amount of LTL 979,654 thousand was transferred from retained earnings to other reserves, and amount of LTL 2,768 thousand was transferred to the legal reserves.

The shares of the Company are listed on the NASDAQ OMX Vilnius Stock Exchange.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

1. General information (continued)

As of the date of these financial statements the Group included LITGRID and its directly controlled subsidiaries, which are listed below:

Company	Address of the company's registered office	The Group's shareholding at 31 December 2011	The Group's shareholding at 31 December 2010	Profile of activities
BALTPOOL UAB	A. Juozapavičiaus g. 13, Vilnius, Lithuania	67%	100%	Electricity market operator
TETAS UAB	Senamiesčio g. 102B, Panevėžys, Lithuania	61%	61%	Transformer substation, distribution station design, construction, repair and maintenance services

The structure of the Group's investments in the associates and the jointly controlled entity as at 31 December 2011 and 2010 was as follows:

Company	Address of the company's registered office	The Group's shareholding at 31 December 2011	The Group's shareholding at 31 December 2010	Profile of activities
Technologijų ir Ino vacijų Centras UAB	Žvejų g. 14, Vilnius, Lithuania	20%	35%	IT services
Elektros Tinklo Paslaugos UAB	Motorų g. 2, Vilnius, Lithuania	29%	29%	Power network and related equipment repair, maintenance and construction services
LitPol Link Sp.z.o.o	Wojciecha Gorskiego 900-033 Warsaw, Poland	50%	50%	Designing of electricity transmission interconnection facilities

As at 31 December 2011, the Group had 623 employees (31 December 2010: 627 employees), whereas the Company had 205 employees (31 December 2010: 208 employees).

The statement of comprehensive income for the year ended 31 December 2010 includes results of operations of the Company and the Group since the Company's establishment on 16 November 2010, therefore amounts in 2010 are not comparable to the amounts presented in the statement of comprehensive income for the year ended 31 December 2011.

The Company's shareholders have a statutory right to approve or reject these financial statements and require the preparation of a new set of financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

2. Basis of preparation

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

These financial statements have been prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment loss, and available-for-sale financial assets which are carried at fair value.

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

3. Accounting policies

Except as described below in paragraph 'New standards, amendments and interpretations' and changes in accounting policies described in Note 3.18, the accounting policies applied in the preparation of these financial statements are consistent with those that were applied in the previous financial year.

3.1. New standards, amendments and interpretations

a) Standards, amendments and interpretations to existing standards effective in 2011 and relevant to the Group and the Company

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 adopted this standard for the financial period beginning on 1 January 2011. The amended standard does not require government-related entities to disclose transactions and balances arising from these transactions, including commitments, conducted with the government or government-related companies. The adoption of the standard had no significant impact on the disclosure of transactions with related parties and balances arising from these transactions in the financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010; effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011). Improvements did not have a significant impact on the Company's/Group's financial statements.

b) 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.

c) New or revised standards and interpretations that are mandatory for the Group's and Company's accounting periods beginning on or after 1 January 2012 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.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

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/Group does not expect the standard to have a significant impact 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/Group does not expect the standard to have a significant impact 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.

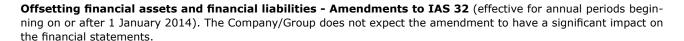
Disclosures—Transfers of financial assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The Company/Group does not expect the amendments to have a significant impact on the financial statements.

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.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)



3.2 Consolidation

Subsidiary is an entity directly or indirectly controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidated financial statements of the Group include LITGRID AB and its subsidiaries. The financial statements of the subsidiaries have been prepared for the same reporting periods, using uniform accounting policies.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company. They are deconsolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies are eliminated.

3.3 Business combinations between entities under common control and mergers involving entities under common control

Business combinations between entities under common control

IFRS 3, 'Business combinations' is not applied to business combinations between entities under common control, therefore such business combinations are accounted for using the predecessor method of accounting. The Group does not restate assets and liabilities to their fair value as at the acquisition date, instead the Group combines the acquired assets and liabilities at their carrying amounts. No goodwill arises and the excess of the consideration paid or the carrying amount of net assets transferred over the consideration received or the carrying amount of net assets acquired is recorded directly in equity in the acquiree's financial statements. Business combinations between entities under common control are accounted for prospectively from the date on which the business combination occurred.

Mergers involving entities under common control

Mergers are accounted for using the predecessor method of accounting. The merged assets and liabilities are not restated to their fair value, instead assets and liabilities are combined at their carrying amounts. The amounts of assets, liabilities, income and expenses of entities merged are combined retrospectively, i.e. for all the periods presented in the financial statements.

3.4 Investments in subsidiaries in the Company's separate financial statements

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

3.5 Investments in associates and jointly controlled entities

An associate is an entity over which the Group/Company has significant influence but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence generally accompanies a shareholding of between 20% to 50% of the voting rights. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

In the consolidated financial statements associates and jointly controlled entities are accounted for using the equity method of accounting. Under the equity method, investments in associates or jointly controlled entities are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in profit (loss), and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of investment.

The Group's investment in associate and jointly controlled entity includes goodwill determined as at the date of acquisition.

Losses of an associate or jointly controlled entity in excess of the Group's interest in that associate/jointly controlled entity, including any other unsecured receivables, are not recognised, unless the Group had incurred legal or constructive obligations or made payments on behalf of the associate/jointly controlled entity.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

Unrealised gain on transactions between the Group and associates and jointly controlled entities is eliminated to the extent of the Group's interest in the associate or jointly controlled entity. Unrealised loss is also eliminated, unless it provides evidence of an impairment of assets transferred.

If the Group's ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Gain or loss on decrease in the Group's ownership interest in an associate is recognised as profit or loss.

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

3.6 Property, plant and equipment and intangible assets

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

All property, plant and equipment is shown at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent valuers, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognised in the profit and loss account. Increases in the carrying amount arising on the subsequent revaluation of property, plant and equipment are credited to revaluation reserve, whereas decreases in the carrying amount that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Revaluation increases in property, plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax

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

Intangible assets

Intangible assets are initially recognised at cost. Intangible assets are recognised only if they are expected to provide economic benefit to the Group and the Company in future periods and their cost can be measured reliably. Subsequently, intangible assets are carried at cost, less accumulated amortisation and accumulated impairment losses, if any (the Group/Company does not have intangible assets with indefinite useful lives).

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

Depreciation and amortisation

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

Categories of property, plant and equipment and intangible assets	Useful lives (in years)
Buildings Plant and machinery, whereof:	20-75
Constructions of transformer substationsStructures, machinery and equipment, whereof:	30
- 330, 110, 35 kV electricity transmission lines	40-55
- 330, 110, 35, 6-10 kV electricity distribution equipment	30–35
- 330, 110, 35, 6-10 kV capacity transformers	35
 electricity and communication devices 	20-25
- electricity equipment, whereof	15-35
- Relay security and automation equipment	15-35
- Technological and dispatch control equipment	8
- Other equipment	5–20
Motor vehicles	4-10
Other property, plant and equipment, whereof:	
- computer hardware and communication equipment	3-10
- inventory, tools	4–10
Intangible assets	3–4

Gain or loss on disposal of non-current assets is calculated as the difference between the proceeds from sale and the book value of the disposed asset and is recognised in the statement of comprehensive income.

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

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

3.7 Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group and the Company review the carrying amounts of their property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

3.8 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans granted and receivables, and available-for-sale financial assets. The classification of financial assets is determined at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group or the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus, in the case of investments not carried at fair value through profit or loss, directly attributable transaction costs.

The Company's/Group's financial assets include cash and cash equivalents, short-term bank deposits, trade and other accounts receivable, and investments in securities.

The subsequent accounting for financial assets depends on their classification as follows:

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other categories. Such assets are recognised as non-current assets, except where the term of investment expires or management have an intention to sell it within 12 months after the date of preparation of the financial statements.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs, and subsequently measured at fair value. Changes in the fair value are recognised in other comprehensive income.

After initial recognition available-for-sale financial assets are measured at fair value based on available market prices or quotes of brokers. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. The result of revaluation of available-for-sale securities is recognised in revaluation reserve of financial assets, reported under equity.

When available-for-sale financial assets are disposed or impaired, the related accumulated fair value revaluation previously recognised directly in equity is recognised in profit or loss.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

Held-to-maturity financial assets

Financial assets with fixed or determinable payments and fixed maturity, quoted in an active market, are classified as held-to-maturity when an entity has a positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortised cost using the effective interest method.

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks, demand deposits and other short-term highly liquid investments (up to 3 months original maturity) that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash balances in bank accounts, deposits in current accounts and other short-term highly liquid investments with original maturities of 3 months or less.

Effective interest rate method

Effective interest rate method is used to calculate amortised cost of financial assets and allocate interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group/Company has transferred the rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

3.9 Inventories

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

3.10 Trade payables and other financial liabilities

Financial liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Trade payables represent the commitments to pay for goods and services acquired from suppliers in the ordinary course of business.

Trade payables are classified as current liabilities if the term of their settlement is not longer than one year, otherwise they are included in non-current liabilities.

3.11 Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). In the consolidated financial statements, results of operations and financial position of each entity of the Group are presented in the litas, which is the functional currency of the Company and the presentation currency of the consolidated Group's financial statements.

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

With effect from 2 February 2002, Lithuanian litas has been pegged to the euro at the rate of 3.4528 litas to 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

3.12. Grants

Asset-related grants

Government and the European Union grants received in the form of property, plant and equipment or intended for the purchase of property, plant and equipment are considered as asset-related grants. Grants are initially recorded as liability at fair value of the asset received and subsequently recognised as income, reducing the depreciation charge of related asset over the expected useful life of the asset.

Public service obligation (hereinafter "PSO") service fees paid to the Company for the development and implementation of strategic plans are recognised as asset-related grants.

3.13. Provisions

Provisions are recognised when the Group/Company has a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

3.14. Employee benefits

(a) Social security contributions

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

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)



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

(c) Bonus plans

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

(d) Payments to employees of retirement age

Each employee of retirement age who terminates his/her employment with the Group and the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries as stipulated in the Lithuanian laws. A liability for such payments is recognised in the balance sheet and it reflects the present value of these payments at the date of the financial statements. The aforementioned non-current liability for payments to employees at the date of the financial statements is estimated with reference to actuary valuations using the projected relative unit method. The present value of the defined non-current liability for payments to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government debentures denominated in a currency in which payments to employees are expected to be made and with maturity similar to that of the related liability.

3.15. Leases

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

The Group and the Company as a lessor

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

The Group and the Company as a lessee

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

3.16. Segment reporting

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

3.17. Revenue and expense recognition

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

Revenue from electricity transmission, capacity reserve services and trade in balancing/regulating electricity Revenue from electricity transmission, capacity reserve services and trade in balancing/regulating electricity is recognised after services have been rendered or electricity has been sold, i.e. all risks and rewards associated with the transaction have been transferred to the buyer, or the services have been rendered.

The Group does not recognise revenue and expenses from electricity trading in power exchange, administered by the subsidiary BALTPOOL UAB, with respect to those transaction in which it acts as an agent.

Tariffs regulation

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

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

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

The Group purchases a capacity reserve service from electricity suppliers in accordance with capacity reserve agreements and subsequently renders this service to the distribution system operators and electricity consumers using a tariff established by the Commission. The Group recognises gross revenue as it acts as a principal in the provision of these services.

Connection of new consumers and producers to electricity transmission network

From 2010 (applicable to assets received from customers on or after 1 July 2009) to the date of spin-off, Lietuvos Energija AB, later on the Company, recognises fees received for connection of new consumers and producers to the electricity network as income immediately upon the connection of a new consumer or producer, provided the price for electricity payable in future by the newly connected consumer or producer for the services rendered /purchased by the Company/ Group does not differ from that payable by other consumers or producers who had not paid such connection fees.

Before 1 July 2009, fees received by Lietuvos Energija AB for connection of new consumers and producers to the network were initially recognised as deferred income and subsequently recognised as income on a proportionate basis over the same period during which the related costs of asset construction were recognised. The related costs comprising the acquisition cost of property, plant and equipment and other costs were capitalised and depreciated over the estimated useful life of the assets capitalised.

Repair service income

Income under individual contracts/projects with customers, for instance for repair services, is recognised using the stage of completion method, based on which project costs actually incurred are compared against total estimated project costs. The probable change in profitability is recognised in the statement of comprehensive income when such change is established. The projects are reviewed regularly and the provisions are established when it is determined that the transaction will result in loss.

Other income

Interest income is recognised on accrual basis considering the outstanding balance of debt and the applicable interest rate. Interest received is recorded in the statement of cash flows as cash flows from investing activities.

Gain from sale and lease of property, plant and equipment is recognised by the Group and the Company as other revenue.

Recognition of expenses

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

Recognition of income and expenses from PSO services

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, i.e. only collects and disburses PSO service fees.

PSO service fees are the fees paid to the suppliers of electricity under the public service obligations scheme, with the list of such suppliers established by the Lithuanian Government or other institution authorised by it. The annual quantities of PSO service fees are established by the National Control Commission for Prices and Energy (the Commission). These fees are collected from electricity consumers, using the tariff for PSO services established by the Commission as a difference between PSO service fees collected and disbursed by the Company/Group during the previous calendar year.

In 2011 the Company/Group recognises as revenue from PSO services the following:

- PSO service fees paid by the Commission to the Company for the connection of power generation facilities, using wind, biomass, solar energy or hydroenergy in the process of power generation, to transmission networks, for optimisation, development and/or reconstruction of transmission networks in relation to acceptance and transmission of electric power from producers using the renewable energy resources;
- · PSO service fees paid by the Commission for balancing electricity produced from the renewable energy resources;
- The difference between the factual balancing costs of the PSO service fees paid by the Commission to the Company for the current year electricity that was generated from the renewable energy resources and the PSO service fees paid by the Commission to the Company;
- PSO service fees paid by the Commission to the Company to cover administration costs of PSO service fees.

In 2010 the Company/Group had no PSO services revenue because the relevant legislation was changed as from the beginning of 2011, making the Company/Group entitled to the part of PSO fees described above.

All other PSO service fees collected by the Company/Group are not recognised as income (see Note 3.18 for the description of change in accounting policies).

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)



In 2010 all PSO service fees received by the Company/Group were recorded as income earned and PSO service fees disbursed were recorded as expenses incurred.

In performing PSO-related activities the Company/Group acts only as an agent on behalf of the Commission/Government and these activities do not generate revenue/profit for the Company/Group in the normal course of business. A resolution has been passed by the Lithuanian Government which stipulates that the Company/Group acts only as an administrator/ agent and the Company/Group and the Commission have separate systems to tracks these transactions.

Seeking to improve the accuracy of presentation of the Company's/Group's financial position, financial result and cash flows and to reflect the actual substance of PSO administration activities, in 2011 management resolved to make changes in the accounting policy applied to PSO service fees being administered, by recognising as revenue only the items described in Note 3.17 and recognising the difference between collected and disbursed PSO service fees being administered as receivables(payables).

Given that the Company/Group acts only as an agent 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 other accounts receivable/other accounts payable as "difference between PSO service fees received and disbursed". Receivables for PSO were reclassified from trade receivables to other accounts receivable, and payables for PSO were reclassified from trade payables to other accounts payable. Receivables for electricity sold in the power exchange, where the Group acted as an agent, were reclassified from trade payables to other accounts payable. Where the group acted as an agent, were reclassified from trade payables to other accounts payable.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

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.

The balance sheet as at 1 January 2010 was not presented as the Company/Group started its operations only in November 2010.

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)	Effect of change in accounting policy	At 31 December 2010 (restated)
Current assets			
Trade receivables	139,485	(78,799)	60,686
Other accounts receivable	10,437	78,799	89,236
Total current assets	273,094		273,094
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 the 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	(68,100)	66,230
Other accounts payable	22,372	79,607	101,979
Total current liabilities	180,693	11,507	192,200
TOTAL EQUITY AND LIABILITIES	2,361,393	-	2,361,393

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

Information about the effect of changes in the accounting policy on the Company's assets, liabilities, equity as at 31 December 2010 is given in Note 33.

Information about the effect of changes in the accounting policy on the Group's income, expenses, operating profit, net profit and comprehensive income as at 31 December 2010 is given below:

Group	2010 (previously reported)	Effect of change in accounting policy	2010 (restated)
Revenue			
Sales revenue	90,266	(47,446)	42,820
Other revenue	6,969	-	6,969
Total revenue	97,235	(47,446)	49,789
Expenses		-	
Purchase of electricity and 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 TAX	2,953	(9,847)	(6,894)
NET PROFIT (LOSS)	2,373	(9,847)	(7,474)
NET PROFIT (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	2,366	(9,847)	(7,481)
Non-controlling interest	7	-	7
	2,373	(9,847)	(7,474)
COMPREHENSIVE INCOME (LOSS)	2,373	(9,847)	(7,474)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	2,366	(9,847)	(7,481)
Non-controlling interest	7	-	7
	2,373	(9,847)	(7,474)
Basic and diluted earnings per share (in LTL)	0.01	(0.02)	(0.01)

Information about the effect of changes in the accounting policy on the Company's income, expenses, operating profit, net profit and comprehensive income as at 31 December 2010 is given in Note 33.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

3.19 Borrowing costs

Borrowing costs that are directly attributable to the production, getting ready for use or sale of an asset that necessarily takes a substantial period of time to produce, get ready for its intended use or sale, are capitalised as part of the cost of that asset until the asset is ready for use or sale in full. Interest income on the temporary investment of borrowed funds until they will be used for the acquisition of the asset is deducted from the cost of the asset.

Other borrowing costs are recognised as expenses in the statement of comprehensive income during the period when they are incurred.

3.20. Income tax

Income tax expense for the period comprises current tax and deferred tax.

Income tax

Current tax charges are calculated on current profit before tax, as adjusted for certain non-deductible expenses/non-taxable income. Income tax is calculated using the tax rate effective as at the date of issue of the financial statements. Income tax rate of 15% was used in 2011 and 2010.

Deferred income tax

Deferred income tax is accounted for using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent that is probable to reduce the taxable profit in future. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred tax assets are reviewed at each date of the financial statements and if it is not probable that the Group and the Company will generate sufficient taxable profit to realise these assets, they are reduced to an amount which is likely to reduce the taxable profit in future. Deferred income tax assets and liabilities are estimated using the tax rate that has been applied when calculating income tax for the year when the related temporary differences are to be realised or settled.

Deferred tax assets and liabilities are offset only where they relate to income tax assessed by the same fiscal authority or where there is a legally enforceable right to offset current tax assets and current tax liabilities.

Current income tax and deferred income tax

Current income tax and deferred income tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity or in other comprehensive income, in which case taxes are also recorded in equity and other comprehensive income respectively.

3.21. Earnings per share

Earnings per share are calculated by dividing the net profit for the period attributed to shareholders by the weighted average number of ordinary shares in issue during the period. When the number of shares changes and such change does not result in change of economic resources, the weighted average number of ordinary shares in issue is adjusted in proportion to change in the number of shares as if that change had occurred in the beginning of the previous period.

The Company has no dilutive potential shares, therefore its basic earnings per share are the same as dilutive earnings per share.

3.22. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)



Subsequent events that provide additional information on the Group's and the Company's financial position at the date of the financial statements (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in notes to the financial statements, provided their effect is material.

3.24. Offsetting

For the purpose of the financial statements, assets and liabilities, income and expenses are not offset, except for the cases when such offsetting is specifically required by an individual standard.

3.25. Critical accounting estimates and uncertainties

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. The main areas where accounting estimates were used are described below:

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 and impairment of property, plant and equipment

During the unbundling process that took place in 2010 the Company took over property, plant and equipment from Lietuvos Energija AB. The fair value of property, plant and equipment, depending on the type of asset, of Lietuvos Energija AB as at 31 December 2008 was determined by independent valuers who used either method of comparative prices, or depreciated replacement value, or discounted cash flows methods to determine the fair value of the assets.

As at 31 December 2009, management of Lietuvos Energija AB revised the carrying amounts of property, plant and equipment. Having assessed the fall in construction cost indices during the 11 months of 2009 of the relevant categories of assets as 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 comprising 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.

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

According to the amendment to the above-mentioned Law effective from 1 June 2009, the price caps of electricity transmission services are 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 Resolution on the Methodology of Determination of the Value of Assets used in Licensed Activities of the Electricity Service Provider, the determination of the price caps of electricity transmission 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.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

Due to the reasons specified, the values of property, plant and equipment reported in these financial statements may materially differ from those that would have been determined if the valuation of assets had been 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 operation and the shareholders' equity reported in the financial statements for the years 2010 and 2011.

Based on management's decision, valuation of property, plant and equipment as at 31 December 2010 and 31 December 2011 was not performed by independent valuers, as a substantial reorganisation of the whole energy sector took place in 2010 and 2011, and in 2010 the Company was separated from Lietuvos Energija AB, and in 2011 it was merged with LITGRID AB.

Useful lives of property, plant and equipment

When assessing the remaining useful life of property, plant and equipment, management takes into consideration the conclusions provided by employees responsible for technical maintenance of assets as to the actual useful lives of property, plant and equipment, as well as the manufacturer's technical documentation.

The underlying principles used for other significant 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 carrying amount of assets and liabilities will be subject to major adjustments in the following reporting year due to changes in management's assumptions and estimates, except for the adjustments which might be needed due to uncertainties in respect of the determination of the value of property, plant and equipment used in licensed activities as at 31 December 2011, as described above.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

4. 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 on spin-off	-	1,610	33	1,643
Additions	-	159	-	159
Amortisation charge	-	(47)	(5)	(52)
Net book amount at 31 December 2010	-	1722	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 on spin-off	-	400	11	411
Merger (Note 33)	-	1,166	22	1,188
Additions	-	154	-	154
Amortisation charge	-	(45)	(5)	(50)
Net book amount at 31 December 2010 (restated)	-	1,675	28	1,703
Cost	1	4,438	34	4,473
Accumulated amortisation	(1)	(2,763)	(6)	(2,770)
Net book amount at 31 December 2010 (restated)	-	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

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

5. Property, plant and equipment

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

Group	Land	Buildings	Plant and machi- nery	Motor vehicles	Other PP&E	Construction in progress	
At 31 December 2009							
Opening net book amount	-	-	-	-	-	-	-
Assets received on 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 categories	-	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	2,375	86,811	34,285	2,225,873
Accumulated depreciation	-	(2,303)	(116,287)	(546)	(41,248)	-	(160,384)
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
Additions	-	-	508	301	579	72,621	74,009
Revaluation	-	462	-	-	-	-	462
Disposals	-	-	-	(16)	-	-	(16)
Write-offs	-	(105)	(13,168)	-	(170)	(176)	(13,619)
Impairment charge	-	(7)	-	-	-	-	(7)
Reclassified to inventory	-	-	-	-	-	(26)	(26)
Reclassification between categories	-	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
		20 520	2 070 777	2,395	87,286	72,353	2,274,311
Cost or revaluated amount	1,961	39,539	2,070,777	2,393	0,7200	, 2,333	2,2/4,311
Cost or revaluated amount Accumulated depreciation	1,961	(4,543)	(228,329)	(757)	(49,125)	-	(282,754)
	1,961 - -	·			,	·	

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

5. Property, plant and equipment (continued)

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

Company	Land	Buildings	Plant and machi- nery	Motor vehicles	Other PP&E	Construction in progress	
At 31 December 2009							
Opening net book amount	-	-	-	-	-	-	-
Assets received on spin-off	1,961	35,096	1,933,911	-	35,449	47,538	2,053,112
Merger (Note 33)	-	-	-	-	6,510	-	6,510
Additions	-	-	-	-	84	15,354	15,384
Write-offs	-	-	(4,390)	-	-	-	(4,390)
Reclassification between categories	-	1,566	24,412	-	2,228	(28,206)	-
Depreciation charge	-	(183)	(10,175)	-	(665)		(11,023)
Net book amount at 31 December 2010 (restated)	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	29	83,902	34,686	2,219,590
Accumulated depreciation	1,501	(2,100)	(116,148)	(29)	(40,296)	J-1,000 -	(158,573)
Accumulated depreciation Accumulated impairment	_	(145)	(1,225)	(23)	(40,230)	_	(1,370)
Net book amount at 31		(143)	(1,223)				(1,5/0)
December 2010 (restated)	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)
Reclassified to inventory	-	-	-	-	-	(26)	(26)
Reclassification between categories	-	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		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

Write-offs mainly represent derecognition of replaced part of asset upon its reconstruction.

As at 31 December 2011 and 2010, the Group/Company had significant contractual commitments to purchase property, plant and equipment to be fulfilled in later periods.

	At 31 December 2011	At 31 December 2010
Interconnection between the electricity transmission systems of Lithuania and Sweden (NORDBALT)	620,783	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	742,378	802,387

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

5. Property, plant and equipment (continued)

The table below includes the net book amounts of the Group's and the Company's property, plant and equipment that would have been recognised, had these assets been carried at historical cost as at 31 December 2011 and 2010:

Group	Land	Buildings	Plant and machi- nery	Motor vehi- cles	Other PP&E	Construc- tion in progress	Total
Net book amount							
At 31 December 2011	1,794	30,575	1,602,811	1,639	36,952	73,077	1,746,848
At 31 December 2010	1,794	32,085	1,676,568	1,829	43,450	35,108	1,790,834
Company	Land	Buildings	Plant and machi- nery	Motor vehi- cles	Other PP&E	Construc- tion in progress	Total
Net book amount							
At 31 December 2011	1,794	29,792	1,602,215	-	35,365	73,077	1,742,243
At 31 December 2010	1,794	31,233	1,676,333		41,493	35,108	1,785,961

6. Investments in subsidiaries (for the Company) and investments in associates and jointly controlled entities (for the Company and the Group)

Investments in subsidiaries in the Company's financial statements

As at 31 December 2011 and 2010, the Company had direct control over the following subsidiaries:

Subsidiary At 31 December 2011	Investment cost	Ownership interest (%)	Impairment	Carrying amount
TETAS UAB BALTPOOL UAB	8,290 318	61 100	- -	8,290 318
Total	8,608		-	8,608
Subsidiary At 31 December 2010	Investment cost	Ownership interest (%)	Impairment	Carrying amount
		•	Impairment -	
At 31 December 2010	cost	interest (%)	·	amount

All subsidiaries were acquired by way of spin-off.

On 18 May 2011, the Company's ownership interest in its subsidiary BALTPOOL UAB decreased from 100% to 67% when Klaipėdos Nafta AB, a company controlled by the Lithuanian Government, acquired all the newly issued shares of BALTPOOL UAB.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

6. Investments in subsidiaries (for the Company) and investments in associates and jointly controlled entities (for the Company and the Group) (continued)

Investments in associates and jointly controlled entities in the Company's and the Group's financial statementsMovement in the account of investments in associates and jointly controlled entities is given in the table below:

	Group 2011	Company 2011	Group 2010	Company 2010 (restated)
Opening balance	20,323	21,332	-	-
Investments received on spin-off	-	-	21,332	19,032
Gain on change in ownership interest in associate	1,699	-	-	-
Merger (Note 33)	-	-	-	2,300
Share of comprehensive income of associate	(1,639)	-	-	-
Share of profit/(loss) of associates and jointly controlled entities	419	-	(204)	-
Other	2	-	(805)	-
Closing balance	20,804	21,332	20,323	21,332

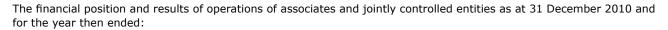
On 16 December 2011, the Company's asociate Technologijų ir Inovacijų Centras UAB increased its share capital by non-monetary contributions of Lietuvos Energija AB (member of Visagino Atomine Elektrine UAB Group). As a result, the Company's ownership interest in the associate decreased from 35% to 20%. Gain on transfer of ownership interest in associate was recognised in the Group's financial statements and was calculated as follows:

	Group 2011
Contributions of other shareholders to the share capital of associate	7,007
Share of net assets transferred	(5,308)
Gain on change in ownership interest in associate	1,699

The financial position and results of operations of associates and jointly controlled entities as at 31 December 2011 and for the year then ended:

	Assets	Liabilities	Sales revenue	Net profit (loss)
Technologijų ir Inovacijų Centras UAB	77,889	7,337	44,850	(160)
Elektros Tinklo Paslaugos UAB	28,867	8,522	51,876	1,114
LitPol Link Sp.z.o.o	1,398	459	2,834	307

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)



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

^{*}Sales revenue and net profit (loss) of associates and jointly controlled entities in the table above are for December 2010.

7. Available-for-sale financial assets

As at 31 December 2011 and 2010, the Group's and the Company's other financial assets classified as available-for-sale comprised the shares of the following entities:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
				(restated)
NT Valdos UAB	1,084	1,084	1,084	1,084
Total	1,084	1,084	1,084	1,084

The value of financial assets determined with reference to the estimated fair value, less disposal costs, (measured using discounted cash flows method) did not significantly differ from the carrying amount at the end of the financial year.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

8. Inventories

The Group's and the Company's inventories comprised as follows:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
				(restated)
Materials and spare parts at acquisition (production) cost	4,873	2,594	4,363	2,131
Goods for resale at acquisition cost	1	1	1	1
Less: write-down to net realisable value	(672)	(381)	(661)	(381)
Total	4,202	2,214	3,703	1,751

The Group's and the Company's inventories recognised as expenses during the year ended 31 December 2011 amounted to LTL 335 thousand and LTL 306 thousand, respectively (31 December 2010: LTL 32 thousand and LTL 32 thousand).

Movement in impairment account of inventories during the year ended 31 December 2011 and 2010 is presented in the table below:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
				(restated)
Opening balance	661	381	-	-
Impairment established on spin-off	-	-	631	381
Write-down of inventories during the reporting period	11	-	30	-
Closing balance	672	381	661	381

Impairment charges were included in other expenses of the statement of comprehensive income.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

9. Trade receivables

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

	Group At 31 Decem- ber 2011	Company At 31 Decem- ber 2011	Group At 31 Decem- ber 2010	Company At 31 De- cember 2010
			(restated)	(restated)
Receivables from sales of electricity and related services	37,640	37,639	51,258	51,259
Receivables for contractual works, other services	7,527	-	9,030	-
Unbilled revenue from sales of electricity and other services	143	143	398	398
Total	45,310	37,782	60,686	51,657

The fair value of current trade receivables approximates their carrying amount.

As at 31 December 2011 and 2010, the Group and the Company had no receivables that were impaired.

The ageing analysis of the Group's and the Company's trade receivables that were not overdue or overdue, but not impaired is given below:

	Group At 31 Decem- ber 2011	Company At 31 Decem- ber 2011	Group At 31 Decem- ber 2010	Company At 31 De- cember 2010
			(restated)	(restated)
Not overdue	34,696	37,533	51,569	51,656
Overdue up to 30 days	8,485	249	8,547	1
Overdue from 30 to 60 days	1,729	-	570	-
Overdue from 60 to 90 days	400	=	-	-
Total	45,310	37,782	60,686	51,657

10. Other accounts receivable

As at 31 December 2011 and 2010, other accounts receivable of the Group and the Company were as follows:

•	Group At 31 Decem- ber 2011	Company At 31 Decem- ber 2011	Group At 31 Decem- ber 2010	Company At 31 De- cember 2010
			(restated)	(restated)
Administered PSO fees receivable	72,433	72,433	57,410	57,410
Receivables from participants of the power exchange	e 9,933	-	21,389	-
Overpayment of asset management fee receivable	-	-	7,237	7,264
Accrued income for PSO services rendered	4,429	4,429	-	
Accrued interest receivable	1,281	1,281	72	72
VAT receivable	19	-	1,274	1,274
Other accrued receivables	-	-	1,512	1,512
Other receivables	819	1,038	341	341
Less: impairment	(3)	-	-	-
Total	88,911	79,181	89,236	67,874

The fair value of current other accounts receivable (financial assets) approximates their carrying amount.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

10. Other accounts receivable (continued)

The ageing analysis of the Group's and the Company's other accounts receivable that were not overdue or overdue, but not impaired is given below:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
			(restated)	(restated)
Not overdue	83,793	74,060	89,236	67,874
Overdue up to 30 days	156	156	-	-
Overdue from 30 to 60 days	170	170	-	-
Overdue from 60 to 90 days	1,654	1,654	-	-
Overdue more than 90 days	3,141	3,141	-	-
Total	88,914	79,181	89,236	67,874

11. Time deposits

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
				(restated)
Time deposit (contract currency the litas), maturity – June 2011	-	-	17,000	17,000
Time deposit (contract currency the litas), maturity – May 2011	-	-	16,000	16,000
Time deposit (contract currency the litas), maturity – March 2011	-	-	10,000	10,000
Time deposit (contract currency the litas), maturity – March 2012	35,000	35,000	-	-
Time deposit (contract currency the litas), maturity – May 2012	20,000	20,000	-	-
Time deposit (contract currency the litas), maturity – January 2012	20,000	20,000	-	-
Time deposit (contract currency the euro), maturity – January 2012	15,000	15,000	-	-
Time deposit (contract currency the euro), maturity – June 2012	15,000	15,000	-	-
Time deposit (contract currency the euro), maturity – May 2012	7,079	7,079	-	-
Time deposit (contract currency the litas), maturity – April 2012	3,000	3,000	-	-
Total	115,079	115,079	43,000	43,000

The carrying amounts of time deposits approximate their fair values. As at 31 December 2011, the weighted average interest rate on time deposits of the Group and the Company was 2.26% (31 December 2010: 1.82%).

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

12. Held-to-maturity investments

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
				(restated)
Lithuanian Government securities denominated in the euros with redemption date in May 2012	16,672	16,672	-	-
Lithuanian Government securities denominated in the euros with redemption date in April 2012	4,867	4,867	-	-
Total	21,539	21,539		-

The carrying amounts of held-to-maturity investments approximate their fair values. As at 31 December 2011, the weighted average interest rate on held-to-maturity investments of the Group and the Company was 2.26%.

13. Cash and cash equivalents

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
				(restated)
Cash in hand and at bank	62,635	57,131	64,963	63,492
Guarantee to secure the fulfilment of obligations (Note 22)	2,550	-	9,041	-
Total	65,185	57,131	74,004	63,492

The carrying amount of cash and cash equivalents approximates the fair value.

14. Share capital and share premium

As at 31 December 2011 and 2010, the Company's authorised share capital amounted to LTL 504,331,384 and it was divided into 504,331,384 ordinary registered shares with par value of LTL 1 each. All the shares were fully paid.

Share premium established as a result of spin-off amount to LTL 29,621 thousand. Prior to the spin-off, share premium resulted from increase in share capital of Lietuvos Energija AB and represented a difference between the nominal value of shares and consideration paid.

Capital management

Capital consists of equity recorded in the statement of financial position.

According to the requirements of the Lithuanian Law on Companies, the Company's equity must not be less than ½ of its authorised share capital. As at 31 December 2011 and 2010, the Company was not in breach of the above mentioned requirement. No other external capital requirements have been imposed on the Company.

The Company's main objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell a part of assets.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

15. Revaluation reserve

Revaluation reserve arises from revaluation of property, plant and equipment due to the value increase. In accordance with the Lithuanian legislation the entity can use revaluation reserve to increase its share capital. However, this reserve cannot be used to cover losses.

Group	Revaluation reserve	Deferred income tax	Net of deferred tax
Opening balance	-	-	•
Revaluation reserve established on spin-off	352,449	(52,867)	299,582
Depreciation of revaluation reserve	(2,540)	381	(2,159)
Write-offs of property, plant and equipment	(1,259)	189	(1,070)
Balance at 31 December 2010	348,650	(52,297)	296,353
Opening balance	348,650	(52,297)	296,353
Depreciation of revaluation reserve	(30,076)	4,511	(25,565)
Write-offs of property, plant and equipment	(4,504)	676	(3,828)
Increase on revaluation of property, plant and equipment	186	33	219
Balance at 31 December 2011	314,256	(47,077)	267,179
	_		
Company	Revaluation reserve	Deferred income tax	Net of deferred tax
Opening balance	-	-	-
Revaluation reserve established on spin-off	352,449	(52,867)	299,582
Depreciation of revaluation reserve	(2,540)	381	(2,159)
Write-offs of property, plant and equipment	(1,259)	189	(1,070)
Balance at 31 December 2010	348,650	(52,297)	296,353
Opening balance	348,650	(52,297)	296,353
Depreciation of revaluation reserve	(30,076)	4,511	(25,565)
Write-offs of property, plant and equipment	(4,504)	676	(3,828)
Balance at 31 December 2011	314,070	(47,110)	266,960

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

16. Legal reserve and other reserves

Legal reserve

The legal reserve is established in accordance with the Lithuanian laws. Annual transfers of not less than 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital. The legal reserve can be used only to cover future losses.

Other reserves

Other reserves are established by the decision of shareholders and they can be reallocated upon appropriation of profit for the following year.

17. Grants

The balance of grants consists of grants related to the financing of assets acquisition. Movements in grants in 2011 and 2010 were as follows:

	Group	Company
Balance at 31 December 2009	-	-
Grants received on spin-off	42,507	42,507
Recognised as income during the period	(158)	(158)
Balance at 31 December 2010	42,349	42,349
Balance at 31 December 2010	42,349	42,349
Grants received	142,196	142,196
Recognised as income during the period	(2,186)	(2,186)
Balance at 31 December 2011	182,359	182,359

Grants received during 2011 included amounts received from the EU Structural Funds (LTL 49,887 thousand) for financing reconstruction of the Company's property, plant and equipment and NordBalt project to construct an interconnection between Lithuanian and Swedish electric power systems, PSO service fees received for the development and implementation of strategic projects (NordBalt) (LTL 92,030 thousand), and funds received from other sources (LTL 279 thousand). In order to fulfil conditions of the grant, the Company has to complete NoddBalt project.

In the statement of comprehensive income for the year 2011, depreciation and amortisation charges were reduced by income of grants of LTL 1,867 thousand (2010: LTL 158 thousand), and amount of LTL 319 thousand was recognised as other income (2010: 0) since the grant was related to non-current assets written off.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

18. Deferred income

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
				(restated)
Deferred income from connections				
of new users	14,642	14,642	15,417	15,417
Total	14,642	14,642	15,417	15,417

Deferred income from connections of new users relates to connections of new users before 1 July 2009 (see Note 3.17).

19. Other non-current accounts payable and liabilities

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
				(restated)
Advances received from new users	6,803	6,803	-	-
Provisions for payments to employees upon retirem	ent 633	470	438	438
Guarantee provisions	22	-	21	-
Total	7,458	7,273	459	438

Provisions for payments to employees upon retirement represent amounts calculated and to be paid according to the Lithuanian laws. Each employee of retirement age who terminates the employment upon retirement is entitled to payment of 2 monthly salaries.

Guarantee provisions represent obligations for the period of several years during which it is committed to provide guarantee repairs free of charge.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

20. Current income tax and deferred income tax

As at 31 December 2011 and 2010, income tax expenses comprised as follows:

	Group At 31 Decem- ber 2011	Company At 31 Decem- ber 2011	Group At 31 Decem- ber 2010	Company At 31 De- cember 2010
Income tax expense components:				
Current income tax	12,150	11,772	2,454	2,275
Deferred income tax (benefit)	(15,085)	(14,960)	(1,874)	(1,819)
Income tax expense (benefit) for the reporting period	(2,935)	(3,188)	580	456

The movement in deferred tax assets and liabilities (prior to offsetting the balances with the same fiscal authority) was as follows:

Group	PP&E revaluation (impairment)	Other	Accrued expenses	Impair- ment of assets	Total
Deferred income tax assets					
At 1 January 2010	-	-	-	-	-
Items established on spin-off	2,206	25	137	11,484	13,852
Recognised in profit or loss	(19)	14	115	(45)	65
Recognised in other comprehensive income	-	131	-	-	131
At 31 December 2010	2,187	170	252	11,439	14,048
At 1 January 2011	2,187	170	252	11,439	14,048
Recognised in profit or loss	(163)	107	155	(648)	(549)
At 31 December 2011	2,024	277	407	10,791	13,499
Group	Revaluation of PP&E (increase in value)	Differences in depre- ciation rates	Tax relief on acquisi- tion of PP&E	Other	Total
Deferred income tax liability					
At 1 January 2010	-		-	-	-
Items established on spin-off	(197,493)	(728)	(10,915)	-	(209,136)
Recognised in profit or loss	1,558	35	217	_	1,810
Recognised in other comprehensive income	1	(25)	-	_	(24)
At 31 December 2010	(195,934)	(718)	(10,698)	-	(207,350)
At 1 January 2011	(195,934)	(718)	(10,698)	_	(207,350)
Recognised in profit or loss	14,463	184	976	-	15,623
Recognised in other comprehensive income	(63)	-	-	-	(63)
At 31 December 2011	(181,534)	(534)	(9,722)	-	(191,790)
Deferred income tax asset, net, at 31 December 2010					325
Deferred income tax asset, net, at 31 December 2011					297
Deferred income tax liability, net, at 31 December 2010					(193,627)
Deferred income tax liability, net, at 31 December 2011					(178,588)

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

20. Current income tax and deferred income tax (continued)

Company	PP&E revaluation (impairment)	Accrued expenses	Impairment of assets	Total
Deferred income tax assets				
At 1 January 2010	-	-	-	-
Items established on spin-off	2,196	97	11,470	13,763
Merger (Note 33)	-	79	-	79
Recognised in profit or loss	(14)	7	(61)	(68)
At 31 December 2010 (restated)	2,182	183	11,409	13,774
At 1 January 2011	2,182	183	11,409	13,774
Recognised in profit or loss	(167)	118	(653)	(702)
At 31 December 2011	2,015	301	10,756	13,072
Company	Revaluation of PP&E (increase in value)	Differences in depreciation rates	Tax relief on acquisition of PP&E	Total
Deferred income tax liability				
At 1 January 2010	-	-	-	-
Items established on spin-off	(197,493)	(723)	(10,915)	(209,131)
Recognised in profit or loss	1,558	35	216	1,809
At 31 December 2010	(195,935)	(688)	(10,699)	(207,322)
At 1 January 2011	(195,935)	(688)	(10,699)	(207,322)
Recognised in profit or loss	14,463	223	976	15,662
At 31 December 2011	(181,472)	(465)	(9,723)	(191,660)
Deferred income tax asset, net, at 31 December 2010				
Deferred income tax liability, net, at 31 December 2010				
Deferred income tax liability, net, at 31 Decer	mber 2011			(178,588)

As at 31 December 2011, deferred income tax liabilities to be settled within 12 months amounted to LTL 14,960 thousand (31 December 2010: LTL 13,435 thousand). All deferred income tax assets will be realised within 12 months.

Income tax expense reported in the statement of comprehensive income can be reconciled to income tax expense that would arise using a statutory income tax rate applicable to profit before income tax:

	Group 2011	Company 2011	Group 2010	Company 2010
			(restated)	(restated)
Profit (loss) before income tax	(19,714)	(23,512)	(6,894)	(6,711)
Income tax calculated at a rate of 15 per cent	(2,957)	(3,527)	(1,034)	(1,007)
Investment relief	(44)	-	-	-
Tax effect of income not subject to tax and				
non-deductible expenses	66	339	1,614	1,463
Income tax expense (benefit)				
for the reporting period)	(2,935)	(3,188)	580	456

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

21. Trade payables

As at 31 December 2011 and 2010, trade payables 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
			(restated)	(restated)
Amounts payable for contractual works, other services	24,199	23,885	24,371	22,298
Amounts payable for electricity	15,797	16,731	20,724	21,280
Accrued liability for electricity	8,835	8,835	15,445	15,445
Amounts payable for property, plant and equipment and inventories	3,115	33	3,796	85
Amounts payable for electricity transit	2,975	2,975	1,339	1,339
Amounts payable for lease and maintenance of transmission network, other services	-	-	555	527
Total	54,921	52,459	66,230	60,974

The fair value of trade payables approximates their carrying amounts.

22. Advance amounts received

At 31 December 2011 and 2010, the Group's and the Company's advance amounts received consisted of the following:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
				(restated)
Guarantee to secure fulfilment of obligations (Note 13)	2,550	-	9,041	-
Other advance amounts received	1,790	1,363	2,257	2,026
Total	4,340	1,363	11,298	2,026

According to the Rulebook for Lithuanian Day Ahead Electricity Market, in order to secure the fulfilment of obligations the electricity market participants are required to present to the Company's subsidiary BALTPOOL UAB a bank guarantee on the fulfilment of their obligations not later than 10 (ten) working days before the commencement date of the trading session and/or provide a cash deposit. Cash deposits received from market participants amounted to LTL 2,550 thousand as at 31 December 2011 (31 December 2010: LTL 9,041 thousand).

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

23. Other accounts payable

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

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
			(restated)	(restated)
Payable administered PSO fees	59,477	59,477	46,180	46,180
Difference between PSO service fees received and disbursed	64,677	64,677	11,507	11,507
Payables to power exchange participants	10,582	-	21,709	-
*Advance amounts received from new users	7,345	7,345	13,546	13,546
VAT payable to the state budget	3,622	2,773	4,869	3,981
Employment-related liabilities	867	378	1,054	424
Accrued charges relating to vacation reserve	1,593	965	1,404	781
Other accrued charges	2,335	1,820	1,153	539
Real estate tax payable	1,193	1,192	199	197
Other payables and current liabilities	2,016	1,425	358	21
Total	153,707	140,052	101,979	77,176

The fair value of current other accounts payable (financial liabilities) approximates their carrying amounts.

24. Sales of electricity and related services

	Group 2011	Company 2011	Group 2010	Company 2010
			(restated)	(restated)
Electricity transmission service	204,689	204,689	26,010	25,731
Trade in balancing/regulating electricity	86,782	86,782	7,273	7,551
Capacity reserve service	55,481	55,481	7,277	7,276
Other sales of electricity and related services	21,315	21,174	2,200	2,202
Services under PSO scheme	10,229	10,229	-	-
Income from connection of new users	4,697	4,697	60	60
Total	383,193	383,052	42,820	42,820

^{*}Advance amounts received from new users represent prepayments received from new users for their connection to the electricity network. These advance amounts will be recognised as income upon provision of connection services.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

25. Segment information

Management distinguished business segments based on the reports reviewed by the Board who is considered to be the chief operating decision maker of the Group. The Board analyses operations by geographical areas and types of services provided. Operating profit (loss) is a profitability indicator analysed by management. Reports reviewed by the Board are consistent with the financial statements prepared in accordance with IFRS, except for different presentation.

The Group has distinguished the following 6 segments:

- · electricity transmission;
- trade in balancing/regulating electricity;
- provision of capacity reserve services;
- provision of services under PSO (public service obligation) scheme;
- activities of the market operator;
- repair and maintenance activities.

The electricity transmission segment is engaged in transmitting electricity over high voltage (330-110 kV) networks from producers to end users or suppliers not in excess of the limit established in the contract. The main objective of these activities is to ensure a reliable, effective, high quality, transparent and safe electricity transmission to distributions networks, large network users from power stations and neighbouring energy systems.

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

Provision of capacity reserve services: to ensure a reliable work of the system, the Company purchases from electricity producers the service of ensuring capacity reserve for power generation facilities and provides capacity reserve services to end users. The capacity reserve is required in case of unexpected fall in electricity generation volumes or increase in electricity consumption.

The Company's/Group's services provided under PSO scheme comprise as follows:

- development and implementation of strategic projects for the improvement of energy security with the help of interconnections Lithuania-Sweden and Lithuania-Poland, connection of the Lithuanian electric energy system to ENTSO-E continental Europe networks;
- connection of power generation facilities, which use wind, biomass, solar energy or hydroenergy in the process of
 electricity generation, to transmission networks, optimisation, development and/or reconstruction of transmission
 networks in relation to acceptance and transmission of electricity from producers that use the renewable energy resources;
- balancing of electricity generated using the renewable energy resources;
- administration of PSO service fees.

The comparative figures were adjusted for change in the accounting policy for income and expenses of PSO services (see Note 3.18) and the segment report was adjusted accordingly.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

25. Segment information (continued)

The activities of electricity market operator are carried out by the Company's subsidiary BALTPOOL UAB. This subsidiary generates income mainly from the provision of market administration services.

Repair and maintenance services are carried out by the Company's subsidiary TETAS UAB. These services include reconstruction, repair and technical maintenance of medium voltage transformer substations and distribution stations.

The Group's segment information for 2010 included the segment of other activities of transmission system operator. With effect from 2011, the Group's management analyses the activities of this segment together with the segment of electricity transmission. In the segment information for 2011, the aforementioned segment was combined with the electricity transmission segment. The comparative figures were adjusted accordingly.

The Group's information on segments for 2011 is presented in the table below:

			Op	erating seg	gments			
2011	Electricity trans- mission	Trade in balan- cing/ regulating electricity	Provi- sion of capacity reserve services	Provision of services under PSO scheme	Activities of market operator	Repair and mainte- nance activities	Other inter- segmen elimina tions	nt Total
Revenue	236,452	86,782	55,481	10,229	2,551	55,635	-	447,130
Inter-segment revenue	(2,785)	-	-	-	-	(9,539)	-	(12,324)
Revenue after elimination of inter- company revenue								
within the Group	233,667	86,782	55,481	10,229	2,551	46,096	-	434,806
Expenses	273,395	67,045	64,152	10,229	2,118	54,571	-	471,510
Inter-segment expenses	s (2,785)	-	-	-	-	(9,539)	9	(12,315)
Expenses after elimination of intercompany expenses								
within the Group	270,610	67,045	64,152	10,229	2,118	45,032	9	459,195
Operating profit (loss)	(36,943)	19,737	(8,671)	-	433	1,064	(9)	(24,389)
Finance income (costs), net	2,366	-	-	-	190	1	-	2,557
Share of result of associates and jointly controlled entities	419							
		-	-	-	-	-	-	419
Gain on change in ownership interest in associate	1,699	-	-	-	-	-	-	419 1,699
ownership interest	1,699 (32,459)	- 19,737	(8,671)	- -	- 623	1,065	- (9)	
ownership interest in associate Profit (loss) before		19,737	(8,671)	- - -	623	1,065	- (9)	1,699
ownership interest in associate Profit (loss) before income tax	(32,459)	19,737	(8,671)			·	(9)	1,699 (19,714)
ownership interest in associate Profit (loss) before income tax Income tax Net profit (loss)	(32,459)	,	-	-	(50)	(203)		1,699 (19,714) 2,935

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

25. Segment information (continued)

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

			Oper	ating segme	ents			
2010	Electricity trans- mission	Trade in balan- cing/ regula- ting electricity	Provision of capacity reserve services	Provision of services under PSO scheme	Activi- ties of market opera- tor	Repair and mainte- nance activi- ties	Other inter- segment elimi- nations	Total
Revenue	28,580	7,273	7,277	-	150	7,443	-	50,723
Inter-segment revenue	(170)	-	-	-	-	(764)	-	(934)
Revenue after elimination of inter- company revenue within the Group	28,410	7,273	7,277		150	6,679		49,789
Expenses	30,398	6,451	13,065	_	291	7,276	_	57,481
Inter-segment expenses	(170)	-	-	-		(742)	_	(912)
Expenses after elimination of inter-company expenses	, ,					` ,		
within the Group	30,228	6,451	13,065	-	291	6,534	-	56,569
Operating profit (loss)	(1,818)	822	(5,788)	-	(141)	145	-	(6,780)
Finance income (costs), net	73	-	-	-	19	(2)	-	90
Share of result of associates and jointly controlled entities	(204)							(204)
Profit (loss) before income tax	(1,949)	822	(5,788)	-	(122)	143	-	(6,894)
Income tax	(454)				22	(148)	-	(580)
Net profit (loss) for the year	(2,403)	822	(5,788)	-	(100)	(5)	-	(7,474)
Depreciation and amortisation expense	10,915	-	-	-	-	92	-	11,007
Write-off of property, plant and equipment	4,223	-	-	-	-	-	-	4,223

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

25. Segment information (continued)

The Group operates in Lithuania and its revenue generated from customers in Lithuania accounts for 99% of total revenue.

The Company sells regulating electricity to transmission system operators in Latvia and Estonia and provides the electricity transit service to the Russian transmission system operator.

In 2011, the Group's and the Company's revenue by geographical location of customers:

Country	Group 2011	Company 2011	Group 2010	Company 2010
			(restated)	(restated)
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.

In 2011, the Group's revenue from its major external customer (Visagino Atominė Elektrinė UAB group companies) amounted to LTL 302,340 thousand (2010: LTL 39,493 thousand).

26. Other revenue

	Group 2011	Company 2011	Group 2010	Company 2010
				(restated)
Repairs and other services	45,159	-	6,446	-
Lease of assets	5,142	5,500	282	293
Engineering works	911	-	233	-
Other income	401	392	8	16
Total other revenue	51,613	5,892	6,969	309

Revenue from repair and other services comprises revenue received by subsidiary TETAS UAB. Information on contracts in progress as at 31 December 2011 and 2010 is given in the table below:

	Group 2011	Group 2010
Total income from repair services to date since the beginning of projects	6,383	1,659
Total expenses of repair services to date since the beginning of projects	5,670	1,653
Result of projects	713	6

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

27. Finance income

In 2011 and 2010, the Group's and the Company's finance income included as follows:

	Group 2011	Company 2011	Group 2010	Company 2010
				(restated)
Interest income	2,564	2,372	92	73
Other income	10	3	5	-
Total finance income	2,574	2,375	97	73

28. Related-party transactions

The Company's/Group's related parties in 2011 and 2010 were as follows:

- Visagino Atominė Elektrinė UAB (the controlling shareholder of the Company) and its subsidiaries. Visagino Atominė
 Elektrinė UAB is a wholly-owned by the Ministery of Energy of the Republic of Lithuania (ultimate controlling party of
 the Company/Group);
- · Government-related entities;
- · Subsidiaries of the Company;
- · Associates and jointly controlled entities of the Company;
- Management of the Company.

During 2011, the major related-party transactions within the Group were conducted between the Company and LESTO AB and Lietuvos Energija AB (Visagino Atominė Elektrinė UAB group companies). The Group's purchases from these companies mainly comprised purchases of electricity, capacity reserve services and PSO services. Sales transactions mainly comprised sales of electricity, capacity reserve service, electricity transmission services and PSO services.

The Group's balances arising on transactions with related parties as at 31 December 2011 were as follows:

Related parties	Trade and other accounts payable and advances received	Trade and other receivables
Associates	2,626	1,211
The Group's parent company (Visagino Atominė Elektrinė UAB)	-	-
Other Visagino Atominė Elektrinė UAB group companies	58,274	99,314
Total	60,900	100,525

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

28. Related-party transactions (continued)

The Group's sales to related parties in 2011 were as follows:

Related parties	Sale of electri- city	Trading in balancing/ regulating electricity	Electricity transmis- sion services	Capacity reserve services	PSO fees received	Other	Total
Associates	-	-	-	-	-	4,773	4,773
Other Visagino Atominė Elektrinė UAB group companies	493,060*	40,935	177,239	48,159	516,371*	35,935	1,311,699
Total	493,060*	40,935	177,239	48,159	516,371*	40,708	1,316,472

^{*}Whereof: LTL 516,371 thousand PSO service fees received from related parties and LTL 492,988 thousand sales of electricity by BALTPOOL UAB to related parties. The Group acts as an agent in these transactions. The Group does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transaction in which it acts as an agent on behalf of the Commission/Government.

The Group's purchases from related parties in 2011 were as follows:

Related parties	Repair and mainte- nance of electricity network	Purcha- ses of electri- city	Purcha- sing of balancing electricity	Capacity reserve servi- ces	PSO fees	Purchases of PP&E	Other	Total
Associates Other Visagino Atominė Elektrinė UAB group	11,479	-	-	-	-	1,918	12,366	25,763
companies	555	217,695*	35,403	63,123	326,115*	22,610	9,979	675,480
Total	12,034	217,695*	35,403	63,123	326,115*	24,528	22,345	701,243

^{*}Whereof: LTL 326,115 thousand PSO service fees paid to related parties and LTL 217,695 thousand purchases of electricity on the power exchange by BALTPOOL UAB from related parties. The Group acts as an agent in these transactions. The Group does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transaction in which it acts as an agent on behalf of the Commission/Government.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

28. Related-party transactions (continued)

The Company's balances arising on transactions with related parties as at 31 December 2011 were as follows:

Related parties	Trade and other accounts payable and advances received	Trade and other receivables
Associates	4,706	2,573
Subsidiaries	2,576	804
The Group's parent company (Visagino Atominė Elektrinė UAB)	-	-
Other Visagino Atominė Elektrinė UAB group companies	56,711	87,451
Total	63,993	90,828

The Company's sales to related parties in 2011 were as follows:

Related parties	Trading in balan- cing/ regulating electricity	Electricity trans- mission services	Capacity reserve services	PSO fees received	Other	Total
Associates	-	-	-	-	4,387	4,387
Subsidiaries	-	-	-	-	385	385
Other Visagino Atominė Elektrinė UAB group companies	40,935	177,239	48,159	516,371*	5,266	787,970
Total	40,935	177,239	48,159	516,371*	10,038	792,742

 $^{^{*}}$ Whereof: LTL 516,371 thousand PSO service fees received from related parties. In performing PSO-related activities the Company acts only as an agent on behalf of the Commission/Government.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

28. Related-party transactions (continued)

The Company's purchases from related parties in 2011 were as follows:

Related parties	Repair and mainte- nance of electricity network	Purcha- ses of electri- city	Purchases of balancing electricity	Electricity trans- mission services	Capacity reserve services	PSO fees	Purcha- ses of PP&E	Other	Total
Associates	11,479	-	-	-	-	-	1,918	11,812	25,209
Subsidiaries	9,530	25,019	-	2,400	-	-	4,309	-	41,258
Other Visagino Atominė Elektrin UAB group companies	ė 555	-	35,403	-	63,123	326,115*	22,610	4,254	452,060
Total	21,564	25,019	35,403	2,400	63,123	326,115*	28,837	16,066	518,527

^{*}Whereof: LTL 326,115 thousand PSO service fees paid to related parties. In performing PSO-related activities the Company acts only as an agent on behalf of the Commission/Government.

The Group's balances arising on transactions with related parties as at 31 December 2010 were as follows:

Related parties	Trade and other accounts payable and advances received	Trade and other receivables
Associates	2,835	706
The Group's parent company (Visagino Atominė Elektrinė UAB)	-	-
Other Visagino Atominė Elektrinė UAB group companies	68,407	125,684
Total	71,242	126,390

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

28. Related-party transactions (continued)

The Group's sales to related parties in 2010 were as follows:

Related parties	Sale of electri- city	Trading in balancing/ regulating electricity	Electricity transmis- sion services	Capa- city reserve services	PSO fees received	Other	Total
Associates	-		-	-	-	389	389
Other Visagino Atominė Elektrinė UAB group companies	124,410*	5,028	22,343	6,235	42,367*	5,887	206,270
Total	124,410*	5,028	22,343	6,235	42,367*	6,276	206,659

^{*}Whereof: LTL 42,367 thousand PSO service fees received from related parties and LTL 124,410 thousand sales of electricity by BALTPOOL UAB to related parties. The Group acts as an agent in these transactions. The Group does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transaction in which it acts as an agent on behalf of the Commission/Government.

The Group's purchases from related parties in 2010 were as follows:

Related parties	Repair and mainte- nance of electricity network	Purcha- ses of electri- city	Purcha- sing of balancing electricity	Electricity trans- mission	Capacity reserve services	PSO fees	Purcha- ses of PP&E	Other	Total
Associates Other Visagino Atominė Elektrine UAB group	1,027 ė	-	-	-	-	-	2,600	1,070	4,697
companies	121	63,800*	2,912	27	13,038	34,908*	960	1,200	116,966
Total	1,148	63,800*	2,912	27	13,038	34,908*	3,560	2,270	121,663

^{*}Whereof: LTL 34,908 thousand PSO service fees paid to related parties and LTL 63,800 thousand purchases of electricity on the power exchange by BALTPOOL UAB from related parties. The Group acts as an agent in these transactions. The Group does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transaction in which it acts as an agent on behalf of the Commission/Government.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

28. Related-party transactions (continued)

The Company's balances arising on transactions with related parties as at 31 December 2010 were as follows:

Related parties	Trade and other accounts payable and advances received	Trade and other receivables
Associates	2,526	124
Subsidiaries	1,811	25,633
The Group's parent company (Visagino Atominė Elektrinė UAB)	-	-
Other Visagino Atominė Elektrinė UAB group companies	103,281	59,519
Total	107,618	85,276

The Company's sales to related parties in 2010 were as follows:

Related parties	Trading in balancing/ regulating electri- city	Electricity transmis- sion services	Capacity reserve services	PSO fees received	Other	Total
Associates	-	-	-	-	103	103
Subsidiaries	-	-	-	-	19	19
Other Visagino Atominė Elektrinė UAB group companies	5,028	22,343	6,235	42,367*	179	76,152
Total	5,028	22,343	6,235	42,367*	301	76,274

^{*}Whereof: LTL 42,367 thousand PSO service fees received from related parties. In performing PSO-related activities the Company acts only as an agent on behalf of the Commission/Government.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

28. Related-party transactions (continued)

The Company's purchases from related parties in 2010 were as follows:

Related parties	Repair and mainte- nance of electricity network	Purcha- ses of electri- city	Purcha- ses of balancing electricity	Electricity trans- mission services	Capacity reserve services	PSO fees	Purcha- ses of PP&E	Other	Total
Associates	1,027	-	-	-	-	-	2,600	874	4,501
Subsidiaries	742	2,003	-	-	-	-	41	146	2,932
Other Visagino Atominė Elektrinė UAB group companies	ė 98	_	2,912	27	13,038	34,908*	960	506	52,449
Total	1,867	2,003	2,912	27	13,038	34,908*	3,601	1,526	59,882

^{*}Whereof: LTL 34,908 thousand PSO service fees paid to related parties. In performing PSO-related activities the Company acts only as an agent on behalf of the Commission/Government.

Lease of assets

According to the agreement between the Company and NT Valdos UAB (Visagino atomine elektrine UAB Group entity), the Company rents administrative premises. Monthly rent fee according to the agreement is LTL 104 thousand. Rent agreement is valid till November 2014.

According to the agreement between the Company and NT Valdos UAB, the Company rents vehicles. Monthly rent fee according to the agreement is LTL 31 thousand and monthly maintenance fee is LTL 40 thousand. Rent agreement is valid until June 2012.

Contributions to the share capital of subsidiary and associate

Contributions by related parties to the share capital of subsidiary and associate are disclosed in Note 6.

Payments to key management personnel

	Group	Company	Group	Company
	2011	2011	2010	2010
Employment-related payments, whereof: - Termination benefits Number of key management personnel	2,647 293 15	1,616 254 8	205 17	109 - 7

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

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

29. Basic and diluted earnings per share

In 201 and 2010, basic and diluted earnings per share were as follows:

	2011	2010
Net profit (loss) attributable to the Company's shareholders (thousand LTL)	(17,182)	(7,481)
Weighted average number of shares (units)	504,331,380	504,331,380
Basic and diluted earnings per share (in LTL)	(0.03)	(0.01)

30. Financial risk factors

The Group companies are exposed to financial risks in their operations. In managing these risks the Group companies seek to mitigate the impact of factors which could adversely affect the Group's and the Company's financial performance results. Financial risk management is conducted by the Company's Finance Planning and Treasury Department in accordance with the description of LITGRID group treasury management procedure approved by LITGRID Board.

Financial instruments by category (as reported in the statement of comprehensive income)

Financial assets	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
			(restated)	(restated)
Trade receivables	45,310	37,782	60,686	51,657
Other accounts receivable	88,892	79,181	80,725	59,336
Time deposits	115,079	115,079	43,000	43,000
Cash and cash equivalents	126,281	118,227	75,664	65,152
Loans and receivables	375,562	350,269	260,075	219,145
Other financial assets				
Held-to-maturity investments	21,539	21,539	-	-
Available-for-sale investments	1,084	1,084	1,084	1,084
Total	398,185	372,892	261,159	220,229
Financial assets	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
			(restated)	(restated)
Trade payables	54,921	52,459	66,230	60,974
Other accounts payable	139,087	127,399	80,907	58,247
Financial liabilities carried at amortised cost	194,008	179,858	147,137	119,221

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

30. Financial risk factors (continued)

Credit risk

As at 31 December 2011 and 2010, exposure to credit risk was related to the following items:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
			(restated)	(restated)
Financial assets	397,101	371,808	260,075	219,145

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The Group and the Company have a significant credit risk concentration, because exposure to credit risk is shared among 10 main customers, which accounted for approximately 93 and 94 per cent of the Group's and the Company's total trade and other accounts receivable (financial assets), respectively, as at 31 December 2011. Amounts payable by the major customer, distribution network operator LESTO AB, accounted for 66 and 66 per cent of the Group's and the Company's total receivables (financial assets), respectively.

When entering into contracts with customers (suppliers of balancing electricity) LITGRID requires to pay a cash deposit of the established amount or to provide a bank guarantee in accordance with the procedure and conditions stipulated in the Description of the Procedure for Ensuring Fulfilment of Obligations of Balancing Electricity Suppliers of LITGRID AB approved by the Company's general director. BALTPOOL UAB requires from the participants of the power exchange to provide cash deposits and/or guarantees in accordance with the terms of settlement stipulated in the Rulebook for Lithuanian Day Ahead Electricity Market. In other cases, since the main customers are trustworthy customers (LESTO AB, which is Visagino Atominė Elektrinė UAB group company, and large corporate customers), the Group/Company does not require any collateral from its customers.

Since April 2011 Achema AB does not pay to LITGRID (administrator of PSO service fees) PSO service fees collected for electricity generated and consumed for internal needs. On 22 July 2011, LITGRID AB filed a legal claim to Kaunas County Court by which it claimed from Achema AB to cover LTL 2,292 thousand debt for April-June 2011. Given the fact that the Supreme Administrative Court of Lithuania (SACL) currently investigates the case relating to legitimacy of administrative acts regulating PSO tarrifs, the outcome of the dispute with Achema AB depends on the outcome of the case investigated by SACL. On 30 January 2012, SACL adopted the decision to suspend the case until the Constitutional Court of the Republic of Lithuania completes its investigation of the request submitted by the members of the Lithuanian Parliament (Seimas) to investigate whether the provisions of the Lithuanian Law on Electric Energy are not in breach of the Constitution of the Republic of Lithuania. The outcome of the case may affect the balance of PSO service fees administered by the Company, however, it will have no impact on the Company's net profit (loss) because the Company acts as an agent and PSO service fees administered by it are recognised only as amounts receivable(payable). As at 31 December 2011, the outstanding debt of Achema AB amounted to LTL 5,121 thousand.

The Group/Company invests its liquid funds only in low risk money market and debt instruments, i. e. time deposits bonds of trustworthy financial institutions, government securities. When making investments the priority objective is to ensure the security of funds and in pursue of this objective to maximise return on investments. Investments are made only in debt financial instruments of financial institutions or governments with not lower than AA- rating according to Fitch Rating agency (or equivalent rating of other rating agencies). In the table below are provided ratings of the banks where the Group/ Company holds its cash and cash equivalents (Note 13), time deposits (Note 11) and other financial assets (Note 35):

Nordea AADanske bank A
Swedbank A
SEB A+
Unicredit A-

Trade and other receivable are mainly from the state controlled entities and large manufacturers with no history of defaults.

For ageing analysis of the Group's/Company's trade and other receivables see Note 9 and Note 10. The management does not expect any losses from financial assets that are neither past due nor impaired as all.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

30. Financial risk factors (continued)

Liquidity risk

The Group's policy is to ensure funding of its operations so that the Group will have sufficient cash and/or committed credit facilities and overdrafts to meet its contractual obligations at any time. The liquidity risk is managed by making forecasts of cash flows of the Group companies.

The Group's cash flows from operating activities were positive in 2011, therefore its exposure to liquidity risk is insignificant. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 31 December 2011 were 1.82 and 1.81, respectively (31 December 2010: 1.42 and 1.40, respectively). The Company's liquidity and quick ratios as at 31 December 201 were 1.88 and 1.86, respectively (31 December 2010: 1.50 and 1.49, respectively).

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

Group	Up to 3 months	From the fourth month up to one year	Within the second year	Within the third to the fifth year
At 31 December 2011 Trade and other accounts payable	194,008	-	-	-
At 31 December 2010 Trade and other accounts payable	147,137	-	-	-
Company	Up to 3 months	From the fourth month up to one year	Within the second year	Within the third to the fifth year
Company At 31 December 2011 Trade and other accounts payable	•	month up	the second	third to the

Market risk

a) Interest rate risk

The Group's and the Company's income, expenses and cash flows from operating activities are substantially independent from changes in market interest rates.

b) Foreign exchange risk

In order to manage the foreign exchange risk, the Group and the Company enter into purchase/sale contracts only in the euros or the litas. With effect from 2 February 2002, the litas has been pegged to the euro at the fixed exchange rate, therefore, foreign exchange risk substantially does not exist.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)



The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade receivables and other accounts receivable, time deposits, cash and cash equivalents, trade payables and other accounts payable and held to maturity investments.

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

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

- The carrying amount of current trade and other accounts receivable, held-to-maturity financial assets, time deposits, cash and cash equivalents, current trade and other accounts payable approximates their fair value.
- The fair value of available-for-sale financial assets is determined based on the estimation of the value of the investee
 using the fair value, less costs to sell, method. The fair value determined is classified in the category of valuation models which are not based on observable market data.

32. Contingent liabilities

Litigations

The administrative case was initiated on the basis of Achema AB (the claimant) claim for damages caused by illegitimate actions of state authorities. Achema AB claims that the state authorities acted illegitimately and beyond their competence when they adopted the Lithuanian Law on Electricity Energy, the provisions of which are in breach of the Constitution of the Republic of Lithuania and EU legal acts, and post-legislative acts (Order No. 1-214 of the Minister of Energy of 24 November 2009 On determination of the list of PSO services in electricity energy sector, Order No. 1-215 of the Minister of Energy of 24 November 2009 On approval of description of procedure for provision of PSO services, Order No. O3-328 of the National Control Commission for Prices and Energy of 17 December 2010 On approval of description of the procedure for administration of PSO service fees, and Order No. O3-82 of the National Control Commission for Prices and Energy of 19 October 2007 On the methodology for calculation of tariffs of PSO services) that are in breach of legal acts bearing superior power. Achema AB claims that damages incurred by it as a result of allegedly illegitimate actions of state authorities amounted to LTL 3,127 thousand. Given the fact that the Supreme Administrative Court of Lithuania is currently engaged in the investigation of legitimacy of regulatory administrative acts, Vilnius County Administrative Court on 7 December 2011 decided to suspend the investigation of this case until the Supreme Administrative Court completes the investigation of the aforementioned case. On 30 January 2012, SACL adopted the decision to suspend the case until the Constitutional Court of the Republic of Lithuania completes its investigation of the request submitted by the members of the Lithuanian Parliament (Seimas) to investigate whether the provisions of the Lithuanian Law on Electricity Energy are not in breach of the Constitution of the Republic of Lithuania. The management does not believe that these litigations will have any negative impact on the Group's/Company's financial statements. See Note 30 for more details.

33. Merger

Based on the reorganisation terms and conditions of LITGRID Turtas AB and LITGRID AB approved by the decisions of the extraordinary general meetings of shareholders of LITGRID AB and LITGRID Turtas AB on 24 January 2011, a transfer-acceptance statement was signed between LITGRID AB and LITGRID Turtas AB on 1 March 2011. On the basis of this transfer-acceptance statement, 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.

Mergers between entities under common control are accounted for as if the entities had always been combined.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

33. Merger (continued)

The table below includes the Company's statement of financial position as at 31 December 2010, adjusted for the effects of the merger of the subsidiary and the change in accounting policy (Note 3.18):

	Company at 31 December 2010 (as previously reported)	Adjust- ments for merger of subsi- diary	Elimination of intercompany transactions and reclassi- fications	Adjust- ments for change in accounting policy	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 and equipment	698	-	-	-	698
Investments in subsidiaries	18,038	318	(9,748)	-	8,608
Investments in associates and jointly controlled entities	19,032	_	2,300	_	21,332
Deferred income tax assets	-	79	-	_	79
Available-for-sale financial assets	910	2,474	(2,300)	_	1,084
Total non-current assets	2,092,330	10,569	(9,748)		2,093,151
Commont posts		, , , , , , , , , , , , , , , , , , , ,			
Current assets Inventories	1,750	1			1,751
Prepayments	1,730 57	301	_	-	358
Trade receivables	13,424	109,067	(13,424)	(57,410)	51,657
Other accounts receivable	1,639	9,095	(270)	57,410)	67,874
Time deposits	1,039	43,000	(270)	57,410	43,000
Cash and cash equivalents	42,161	22,991	_	_	65,152
Total current assets	59,031	184,455	(13,694)		229,792
		<u> </u>			
TOTAL ASSETS	2,151,361	195,024	(23,442)		2,322,943
EQUITY AND LIABILITIES					
Capital and reserves: Share capital	504,331	9,748	(0.749)		E04 221
Share capital Share premium	29,621	9,740	(9,748)	-	504,331 29,621
Revaluation reserve	296,353	-	-	-	29,021
Legal reserve	47,665	_	_	_	47,665
Retained earnings (deficit)	982,423	69,388	_	(11,507)	1,040,304
Total equity	1,860,393	79,136	(9,748)	(11,507)	1,918,274
		,	(5)2 15)	(22,002)	
Non-current liabilities: Grants	42,349			_	42,349
Deferred income	15,417	_	_	_	15,417
Other non-current accounts	13,417				13,417
payable and liabilities	234	204	-	-	438
Deferred income tax liabilities	193,627	-	-		193,627
Total non-current liabilities	251,627	204	-		251,831
Current liabilities:					
Trade payables	22,548	98,300	(13,694)	(46,180)	60,974
Advance amounts received	1,724	302	-	-	2,026
Income tax payable	321	12,341	=	-	12,662
Other accounts payable	14,748	4,741	-	57,687	77,176
Total current liabilities	39,341	115,684	(13,694)	11,507	152,838
Total liabilities	290,968	115,888	(13,694)	11,507	404,669
TOTAL ASSETS	2,151,361	195,024	(23,442)	-	2,322,943

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

33. Merger (continued)

The table below includes the Company's statement of comprehensive income for the year ended 31 December 2010, adjusted for the effects of the merger of the subsidiary and the change in accounting policy (Note 3.18):

	Company at 31 December 2010 (as previously reported)	Adjustments for merger of subsi- diary	Elimination of intercom- pany transac- tions and reclassifications	Adjustments for change in accoun- ting policy	Company at 31 December 2010 (restated)
Revenue					
Sales of electricity and related services	11,154	90,206	(11,094)	(47,446)	42,820
Other revenue	290	19			309
Total revenue	11,444	90,225	(11,094)	(47,446)	43,129
Operating expenses					
Purchase of electricity or related services	-	(64,933)	-	37,599	(27,334)
Lease of transmission network	-	(3,425)	3,425	-	-
Depreciation and amortisation	(10,792)	(123)	-	-	(10,915)
Wages and salaries and related expenses	(797)	(851)	-	-	(1,648)
Repair and maintenance expenses	(2,143)	-	-	-	(2,143)
Telecommunications and IT system expenses	(979)	(102)	-	-	(1,081)
Write-off of property, plant and equipment	(4,223)	-	-	-	(4,223)
Other expenses	(2,132)	(429)	(8)	-	(2,569)
Total operating expenses	(21,066)	(69,863)	3,417	37,599	(49,913)
OPERATING PROFIT (LOSS)	(9,622)	20,362	(7,677)	(9,847)	(6,784)
Finance income	-	73	-	-	73
PROFIT (LOSS) BEFORE INCOME TAX	(9,622)	20,435	(7,677)	(9,847)	(6,711)
Current year income tax expense	(322)	(3,077)	1,124	-	(2,275)
Deferred tax income/(expense)	1,741	78	-	-	1,819
	1,419	(2,999)	1,124	-	(456)
NET PROFIT (LOSS) FOR THE YEAR	(8,203)	17,436	(6,553)	(9,847)	(7,167)
COMPREHENSIVE INCOME(LOSS)	(8,203)	17,436	(6,553)	(9,847)	(7,167)
NET PROFIT (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY'S					
SHAREHOLDERS	(8,203)	17,436	(6,553)	(9,847)	(7,167)

The above-mentioned merger had no impact on the Group's consolidated financial statements in 2010.

FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

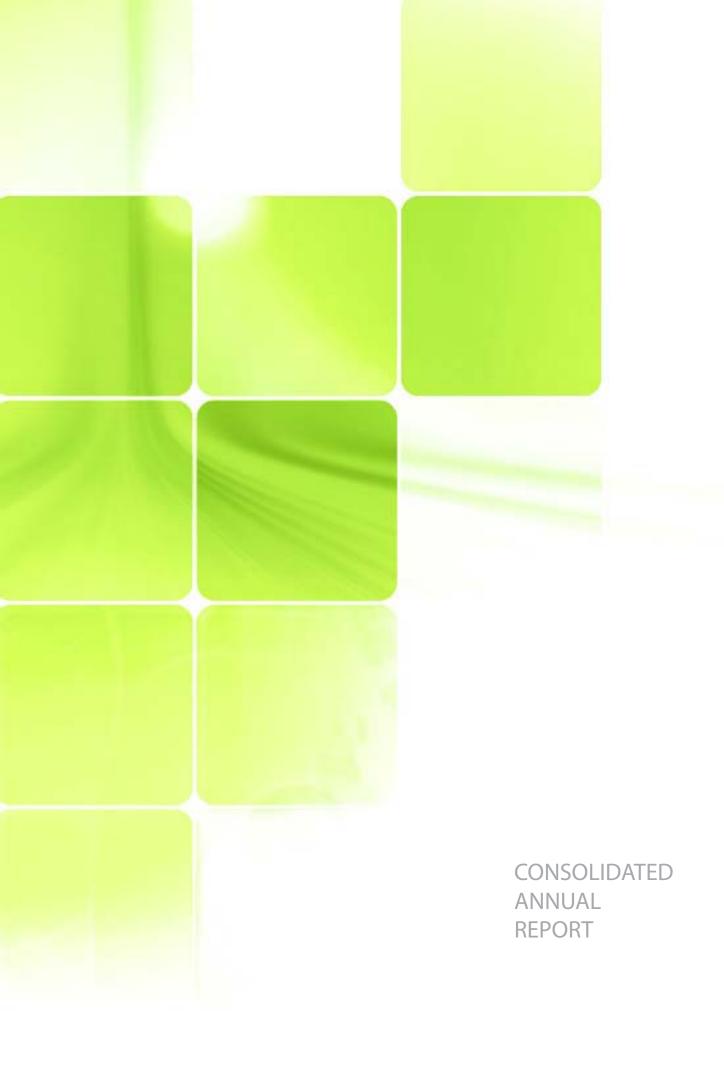


Commitments to purchase property, plant and equipment are disclosed in Note 5.

35. Other financial assets

Other financial assets comprise the cash held in the Company's bank account which is the difference between PSO fees collected and disbursed. As at 31 December 2011 and 2010 PSO cash balance amounted to LTL 61,096 thousand and LTL 1,660 thousand, respectively.

In accordance with the regulations approved by the Commission, PSO cash balance has to be separated from the Company's/Group's cash and cash equivalents and can be used only for PSO fees disbursements.



CONSOLIDATED ANNUAL REPORT

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)



I. GENERAL INFORMATION ABOUT THE GROUP OF UNDERTAKINGS

The consolidated annual report has been prepared for the financial year 2011.

The issuer and its contact information is as follows:

Name LITGRID AB (hereinafter Litgrid or the Company)

Legal form Public limited liability company

Date and place of registration 16-11-2010, Register of Legal Entities of the Republic of Lithuania

Company code 302564383

Address of registered office A. Juozapavičiaus g. 13, LT-09311, Vilnius

Telephone +370 5 278 2777

Fax +370 5 272 3986

E-mail info@litgrid.eu; www.litgrid.eu

Litgrid mission is to ensure a reliable transmission of electricity and provide competitive environment in an open electricity market.

Litgrid vision provides for complete integration of Lithuanian electricity system into European electricity infrastructure and common electricity market.

Litgrid values include responsibility, professionalism, co-operation, initiative and respect.

Litgrid activities

Litgrid represents electricity transmission system operator (hereinafter TSO), managing electricity flows in Lithuania and supporting steady operation of national electric energy system. Litgrid is responsible for infrastructure of Lithuanian energy transmission grid and its connection to the electric energy infrastructure in North and West Europe. Kay strategic projects underway by electricity transmission system operator include development of interconnections with Sweden (NordBalt) and Poland (LitPol Link), development of Lithuanian electricity market and integration thereof into common European electricity market, preparation of national electric energy system to become full member of electricity transmission infrastructure, market and system of continental Europe.

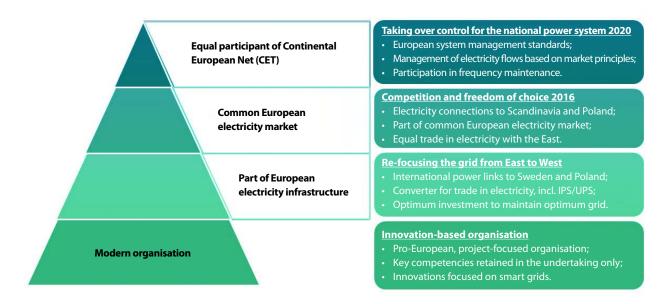


CONSOLIDATED ANNUAL REPORT

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Litgrid strategy 2020 provides for responsibility to control national electricity system



Having regained the national independence for over twenty years and being a member of European Union for almost a decade, Lithuanian electricity sector still remains part of a non-European energy system, under central control from a neighbour state. Together with Latvia and Estonia, the Baltic region remains an isolated island within the electricity system of the continental Europe. Litgrid, being the back-bone of the Lithuanian electricity sector, is responsible for balance of electricity consumption and generation in the system and reliable transmission of electricity; the company is also responsible for reliable operation of the national electricity system and complete integration thereof to the European electricity network and system. In implementing objectives of the National Energy Strategy in the field of electricity, Litgrid takes active and responsible steps in key fields as follows:

Taking over control for the national power system 2020

Once Lithuania becomes a full and equal participant of European electricity system, electricity sector will see introduction of European system management standards, electricity flows shall be managed based on market principles and system frequency level will involve participation.

Common European electricity market by 2016

Development of electricity market in Lithuania, its integration to the Scandinavian electricity market, and subsequent participation in development of common European electricity market shall ensure competition and freedom of choice to all market players and equal trade in electricity with agents of electricity market of the East European states.

Integration of electricity transmission market to European electricity infrastructure by 2015

Lithuania can boast a solid and well developed electricity transmission, with excellent connections to electricity transmission infrastructure of the East neighbour states; once electricity connections to Sweden (NordBalt) and Poland (LitPol Link) are laid by late 2015, the national transmission grid will have first connecting lines to electricity grids in North and West Europe. Direct current insertion, intended to provide interim connection between Lithuanian and Polish electricity arteries, will allow for trade in electricity between different energy systems, whereas optimum investment into the national grid shall ensure integration of new electricity generators, secure transmission of electricity and reliable system operation. Together with Latvia and Estonia, we shall become a region, offering excellent infrastructure, with reliable connections to neighbour states.

CONSOLIDATED ANNUAL REPORT

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Innovation-based organization

Litgrid is a pro-European, project-focused undertaking, employing best practices of modern management and social responsibility. The company, implementing energy projects of utmost scale and strategic importance to the entire national economy, retains key competencies only: system management and reliable transmission of electricity, maintenance of national electricity balance, maintenance of infrastructure and project management. Litgrid, specialised undertaking of electricity sector, employs energy professionals of top qualification; technical policy of transmission grid focuses on innovations supporting development of smart grids, regional and common European electricity market and integration of national power system into the infrastructure and system of Continental European Net. Litgrid co-operates with country's technical universities, takes active part in international organisations, responsible for planning of electricity infrastructure, markets and system.

KEY WORKS IN IMPLEMENTATION OF STRATEGIC ELECTRICITY SECTOR PROJECTS IN 2011

On 26 May 2011, detailed plan on expansion of Alytus transformer substation was approved. Plot of land formed by the detailed plan shall be used for reconstruction of the substation and construction of direct current insertion. The reconstruction is necessary for project of LitPol Link, international electricity connection.

On 27-28 June 2011, Vilnius hosted annual assembly of ENTSO-E, involving CEOs of 54 transmission system operators in Europe.

Litgrid is a member of ENTSO-E (European Network of Transmission System Operators for Electricity). The organisation, established in 2008, unites electricity transmission system operators from 34 countries in Europe. Litgrid takes active part in the process of pan-European planning of electricity infrastructure development projects and common European electricity market development, coordinated by ENTSO-E.

On 30 August 2011, special plan of LitPol Link electricity line in Lithuania was approved and planning stage of the same international electricity connection in the territory of Lithuania was completed. The special plan is the key document, prescribing the route of the connection.

On 8 September 2011, an international public procurement was published for technical project of LitPol Link electricity line. Estimated completion of works is the first semester 2013.

On 23 September 2011, a special plan on construction of Nordbalt connection in Klaipėda county was presented to the Ministry of Energy. The document was subject to public discussion, agreed with authorities issuing planning conditions and verified by the State Territorial Planning and Construction Inspectorate. In accordance with the Law on the Coastal Area, special plan shall be approved by the Government of the Republic of Lithuania.

On 30 September 2011, Litgrid started payment of compensations under contracts on establishment of easement. The first part of compensations, of almost LTL 2.5 million, was paid to owners of 209 plots of land. Contracts on establishment of easement are now signed with owners of plots of land in Alytus and Lazdijai areas, where LitPol Link international electricity transmission line shall be laid over their land. Connection electricity line shall be laid over plots of land of 500 owners.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)



KEY WORKS IN IMPLEMENTATION OF STRATEGIC ELECTRICITY SECTOR PROJECTS IN 2011

In 2011 Litgrid and Svenska Kraftnat, Lithuanian and Swedish transmission system operators respectively, and Nordstream AG signed a contract regarding intersection of NordBalt connection and Nord Stream gas pipeline in the Baltic Sea. Exact location of intersection of NordBalt cable and gas pipeline was established based on detailed study of Baltic Sea seabed and approval of a safe route to lay the cable; the location is in the exclusive economic area of Sweden, at approximately 70 km from the shore.

On 19 December 2011, production of NordBalt marine cable of electricity connection was launched in Sweden. Total length of cable to be produced is 900 km; laying of the cable on the sea bed shall commence in the early 2015.

On 28 December 2011, international public procurements was published for a reparation of a feasibility study, "Integration of the Baltic states into the EU internal electricity market. Feasibility study of installation of possible connections". This is a first step and a pre-condition to ensure complete integration of Lithuanian, Latvian and Estonian energy systems to grids of the continental Europe.

On 30 December 2011, contracts on funding and works for Klaipėda-Telšiai electricity transmission line project were signed. Litgrid, the Ministry of Economy and the Lithuanian Business Support Agency signed a tripartite agreement on funding and administration of construction of an electricity line. Funding from EU structural funds shall cover 40% of the project value, LTL 22.7 million. On 30 December, contract of works was signed with A. Žilinskio ir ko UAB. Estimated completion of construction of Klaipėda-Telšiai electricity transmission line is due by late 2014.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Litgrid subsidiaries and nature of their activities

As of 31 December 2011 the Litgrid group of undertakings included Litgrid AB, Baltpool UAB and Tetas UAB.

Name BALTPOOL UAB

Legal form Private limited liability company

Date and place of registration 11-12-2009, Register of Legal Entities of the Republic of Lithuania

Company code 302464881

Address of registered office A. Juozapavičiaus g. 13, LT-09311, Vilnius

Telephone +370 5 278 2260 Fax +370 5 278 2707

E-mail info@baltpool.lt; www.baltpool.lt

Nature of activities Electricity market operator

Shareholding interest held by Litgrid 67%

Name Tetas

Legal form Private limited liability company

Date and place of registration 08-12-2005, Register of Legal Entities of the Republic of Lithuania

Company code 300513148

Address of registered office Senamiesčio g. 102B, LT-35116, Panevėžys

Telephone +370 45 504 618 Fax +370 45 504 684

Type of activities Specialised services of technical maintenance, repair and installation

of transformer substations, distribution stations, testing and trial work,

design of energy objects

Shareholding interest held by Litgrid 61.13%

Litgrid Group also controls shares of the following undertakings:

LitPol Link Sp.z.o.o (Poland)

50% of shares and granted votes

Elektros tinklo paslaugos UAB

28.87% of shares and granted votes

Technologijų ir inovacijų centras UAB

35.14% of shares and granted votes

NT Valdos UAB

0.35% of shares and granted votes

The extraordinary general meeting of shareholders of the company, convened on 24 January 2011, approved reorganisation conditions of the Company (until 14 March 2011, the company was called Litgrid turtas AB) and Litgrid AB, its subsidiary, by merging Litgrid AB to Litgrid turtas AB. On 1 March 2011, the entire asset and liabilities of Litgrid AB were taken over by Litgrid turtas AB. On 2 March 2011, Litgrid AB was removed from the Register of Legal Entities. On 14 March 2011, articles of association (as amended) of Litgrid AB were registered with the Register of Legal Entities (with name of Litgrid turtas AB changed to Litgrid AB).

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

During on-going reorganisation of electric energy undertakings, and in order to ensure efficient management of asset and human resources of Energetikos pajėgos UAB and Tetas UAB, on 1 April 2011 Energetikos pajėgos UAB was merged to Tetas UAB. On 1 April 2011, 1 d. new articles of association of Tetas UAB were registered with the Register of Legal Entities, and on 6 April 2011 Energetikos pajėgos UAB was removed from the Register of Legal Entities.

On 31 December 2011, Litgrid held 67% shares of Baltpool. The remaining 33% of Baltpool shares were held by Klaipėdos nafta AB. On 18 May 2011, articles of association of Baltpool (as amended after an increase in the authorised capital) were registered. After registration of the articles of association of Baltpool (as amended), Klaipėdos nafta now holds 156 627 (one hundred and fifty-six thousand six-hundred twenty-seven) ordinary registered shares of Baltpool of LTL 1 (one) face value.

Litgrid Group also controls shares of the following undertakings

LITGRID, ELECTRICITY TRANSMISSION SYSTEM OPERATOR, PROVIDES THE FOLLOWING SERVICES:

- · transmission of electricity,
- capacity reserve,
- · trade in balancing/regulating electricity,
- public obligation services (hereinafter POS) and administration of POS funds.

TRANSMISSION OF ELECTRICITY

Electricity transmission service is transmission of electricity via high-voltage (330-110 kilovolts, kV) facilities. Transmission system operator (hereinafter the TSO) transmits electricity from generators to users or suppliers. Transmission of electricity is a regulated activity. On 24 February 2011, for the purposes of transmission activities, the National Control Commission for Prices and Energy (hereinafter the Commission) granted an open-ended licence for transmission of electricity to Litgrid public limited liability company, effective as of 1 March 2011.

Key objective of SOP activities is to reliable, efficient, quality, transparent and safe transmission of electricity.

CAPACITY RESERVE SERVICE

Litgrid warrants the reliable operation of the system and for this purpose it buys from energy generators capacity reserve service in electricity generation facilities and provides to the users capacity reserve services. Capacity reserve is necessary, in case of an unexpected reduction in electricity generation or increase in consumption.

TRADE IN BALANCING/REGULATING ELECTRICITY

Litgrid ensures balance of the national electricity generation and consumption. Balancing electricity is electricity, consumed or generated not in compliance with electricity consumption or generation schedules. Litgrid organizes the trade of the balancing electricity, purchases and/or sells the balancing electricity necessary to maintain the national balance of the electricity generation and consumption.

Regulating electricity is electricity bought and/or sold on instruction of TSO, required to perform balancing function national electricity consumption and generation. The trade is carried out at the regulating electricity auction organized by Litgrid. The auction is used by the regulating electricity suppliers and transmission system operators from other countries, provided they are technically capable to promptly change electricity generation and consumption modes and have entered into a respective contract with Litgrid.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

PUBLIC OBLIGATION SERVICES AND ADMINISTRATION OF POS FUNDS

Public interests in electricity sector include services, that ensure and enhance national energy security, as well as integration and use of electricity using renewable sources. List of public obligation services, providers and procedure of provision shall be approved by the Government of the Republic of Lithuania or its authorised authority, in line with public interests in electric energy sector. POS funds are funds payable to providers of POS services.

Litgrid provides the following POS services:

- preparation and implementation strategic projects, related to enhancement of energy security (Lithuania-Sweden and Lithuania-Poland international electricity interconnections, integration of Lithuanian electric energy system in the grid of continental Europe);
- connection of electricity generation facilities, using wind, biomass, solar energy or hydro energy, to transmission grid, optimising, development and/or reconstruction of transmission grid, related to acceptance and transmission of electricity, generated by generators using renewable energy sources;
- balancing of electricity, generated using renewable energy sources;
- · administration of POS funds.

Procedure of POS provision procedure is prescribed by the description of provision procedure of public obligation services, approved by the order of the Ministry of Energy of the Republic of Lithuania dated 8 October 2010 No 1-283. POS funds administration procedure is prescribed by the description of administration procedure of funds of public obligation services, approved by resolution of the Commission dated 17 December 2010 No O3-328. The POS provision description provides, that Litgrid, transmission system operator, shall be administrator of POS funds, i.e. it shall collect POS funds and pay the same to beneficiaries of POS funds, as designated by the Government of the Republic of Lithuania.

TECHNICAL MAINTENANCE AND REPAIR OF TRANSMISSION GRID

Tetas UAB, subsidiary of Litgrid, provides the following technical maintenance and repair services of transmission grid facilities:

- · performs technical maintenance and repair of electricity grid facilities;
- provides construction services of new energy objects and reconstruction services of the existing energy objects;
- provides designing services of the electric facilities.

The activity of Tetas UAB complies with the requirements of ISO 9001:2008 and ISO 14001:2004. The Quality and Environment Protection Management System, implemented in the company in 2007, is applied for the operation of the electric facilities up to 400 V and the performance of the designing and construction works of the building part of the special designation constructions.

SERVICES OF ELECTRICITY MARKET OPERATOR

The electricity transmission system operator, acting as an independent participant of electricity system, is responsible for development of national electricity market. Such practice is also met elsewhere in Europe.

On 28 December 2009, Commission granted a licence to pursue the activity of market operator to Baltpool, a subsidiary of Litgrid. Since 1 January 2010, electricity market is functioning in Lithuania; its participants include electricity generators and independent energy suppliers from Lithuania and other electric energy systems.

Baltic Energy Markets Interconnection Plan (BEMIP) provides for interconnection of electricity markets in the Baltic region states. The objective of the BEMIP is complete integration of Lithuanian, Latvian and Estonian electricity markets to the Nordic states electricity market in 2015. Lithuanian electricity market is based on principles of Nord Pool Spot, North European electricity market and is completely ready to join the single electricity market of Baltic states.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Environmental protection

Environmental impact assessment or selection procedures are performed for the electricity transmission lines and transformer substations to be built, the finding whereof will be taken into consideration where preparing technical designs. Designing of new structures or reconstruction of the old ones is subject to environmental requirements. In any case it is endeavored to select such equipment that would be less harmful to the environment. Where procuring services, the demand is that the contractors would have introduced the Environmental Management Systems as per LST EN ISO 14001 standard; contractors are committed to manage waste produced during construction and provide the Company with the supporting documentation.

Litgrid operates in accordance with administrative documents governing waste and waste-water treatment and safe use of chemical substances by establishing environmental requirements to objects to be built or being reconstructed.

The main hazardous waste produced includes insulating oil and waste related to the use of such oil, accumulators, luminescent lamps, remains of various chemical substances, etc. Litgrid has liability insurance relating to damage, caused to environment.

Transmission system operator's customers

Direct customers of Litgrid are users of electricity transmission grid and balancing and regulating energy suppliers.

Users of transmission grid:

- · Distribution networks operator Lesto,
- Electric power consumers having their facilities connected to the transmission grid of the transmission system operator and buying electricity for their consumption needs,
- Electric power generators;
- Balancing and regulating energy suppliers are electric power generators and suppliers.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Employees

There were 623 employees employed in Litgrid Group for the year ended 31 December 2011: Litgrid – 205 employees, Tetas – 405 employees, Baltpool – 13 employees (whereof three - Litgrid employees, working in the secondary position in Baltpool). In 2011 the staff turnover in Litgrid was 5.9 percent.

The payroll fund in the reporting year amounted to 26,081 thousand litas.

	Number of employees for the year ended 31 December 2011	Average monthly salary, LTL
Workers	221	2 228
Specialists	387	3 654
Executive personnel	15	13 074
Total	623	3 375

Education of employees by group at the end of the period

	For the year ended 31 December 2011	For the year ended 31 December 2010
Number of employees of which have:	623	627
University education	358	351
College education	144	145
Secondary and post-secondary education	121	131

In 2011 Litgrid signed a frame agreement with the labor union. This agreement defined and ensured a fair payroll policy, regulated socio-economic relations between the employer and the employee.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Principles of social responsibility policy of Litgrid

Litgrid activities are based on the principles of social responsibility, cohesive development, transparency, as well as progressive environmental protection. The Company's activity is a prerequisite for successful functioning of national economy, whereas long-term strategic objectives as well as strategic energy projects contribute to security and establishment of energy independence of the country. The scope and importance of projects implemented encourages the Company and its personnel as well as management to follow the highest professional and ethical standards as well as assume responsibility in nourishing and educating consciousness, responsibility, as well as willingness of society and individual groups thereof to be actively involved in creating the welfare of the country.

Implementing social responsibility policy, Litgrid gives most of its attention to ensuring honest and motivating work conditions, educating responsibility and public spirit, helping the society to grow and develop.

Information about research and development activities of the Company Group

Litgrid, on the annual basis, draws up research and development programs for development of the electricity system and improvement of the effectiveness of the transmission network. One of the main tasks is to reconstruct energy objects by replacing old equipment with the new and modern one and implementing the modern relay protection, systemic automation, control, information collection and transfer systems. The plans for construction and reconstruction of the objects, with reference to scientific research and studies, are drawn for the period of ten years and updated annually.

In 2011 Litgrid in cooperation with Latvian and Estonian transmission system operators announced the tender "Full integration of the three Baltic States into the European energy market for the performance of feasibility study of installation of available connections". This study is co-funded by the European Union program Trans-European Energy Network for Electricity (TEN-E).

Principal features of internal control and risk management systems

Consolidated financial statements of Litgrid Group are prepared as per EU certified International Financial Reporting Standards. Litgrid internal control process covers the process control of preparation of service provision related business processes, information system operation, and financial accounts.

Preparation of consolidated financial statement is determined by Litgrid accounting policy and description of procedures that ensure the performance of accounting as per EU certified International Financial Reporting Standards and laws of the Republic of Lithuania. Litgrid description of procedures provides for eventual risks relevant to accounting and preparation of financial statement, methods and control thereof, evidentiary material of control, and employees in charge of control.

The Company has appointed the persons in charge of risk management. The Department of Internal Audit and Prevention continually assesses the activity process of the Company and related risks as well as gives recommendations to the management on management of risks observed.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

II. FINANCIAL INFORMATION

The performance results of the Group's and the Company's of undertakings for the year ended 2011 are given in the table below. The Company started-up business on 1 December 2010, therefore, the comparative financial results of 2010 are not provided.

	Group	Company
Financial results (in thousands of litas)		
Electricity related sales revenue	383 193	383 052
Other operating income	51 613	5 892
EBITDA	111 338	106 605
EBITDA margin (%)	25,6	27,4
Operating profit (loss)	(24 389)	(25 878)
Net profit (loss)	(16 779)	(20 324)
Cash flow from ordinary activities	101 832	104 256
Relative indicators		
Average return on equity (%)	(0,9)	(1,1)
Average return on assets (%)	(0,7)	(0,9)
Owner's equity/assets (%)	75,9	76,5
Liabilities/owner's equity (%)	22,2	21,1
Financial liabilities/owner's equity (%)	0,0	0,0
Free cash flow (FCF)/revenue (%)	19,5	22,4
TSO performance indicators	2011 m.	2010 m.
Volume of electricity transmitted, million kWh	9 279	9 260
Technological expenses in the transmission network (%)	2,17	2,09
END, MWh (volume of electricity not transmitted due to loss of connections)*	7,55	11,62
AIT, in minutes (average interruption time)*	0,35	0,49

^{*} Only for reasons attributable to the operator's liability and non-identified reasons.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Income

Income of the Group for the year ended 2011 totaled 434.8 million litas.

Electric power transmission income totaled 204.7 million litas or 47.1 percent of total income. In 2011 Litgrid transmitted 9 279 million kWh of electric power through high voltage electricity networks for the needs of the country or 0.2 percent more than transmitted in 2010. Distribution networks operator Lesto was transmitted 8 161 million kWh – 0.4 percent less than in 2010, other consumers – 1 118 million kWh – 5.2 percent more. Actual electric power transmission price was 2.21 ct/kWh, ceiling price of transmission service, approved by the Commission for 2011, was 2.32 ct/kWh.

Income from balancing-regulating electric power totaled 86.8 million litas (20 percent of total income of the Group), income from power reservation – 55.5 million litas (12.8 percent), income from admittance to the network (partnership in the Intertransmission system operators compensation mechanism) – 14.7 million litas (3.4 percent), income from public service obligations – 10.2 million litas (2.4 percent), other income relevant to electric power (income from reactive power, transit, connection of new consumers) – 11.3 million litas (2.6 percent).

Income from design, technical service, repair works, and investment projects totaled 46.1 million litas or 10.6 percent of total income of the Group.

Expenses

The expenses of the Group for the year ended 2011 totaled 459.2 million litas.

The expenses of purchase of electricity and related services accounted for the major part of the expenses of the Group – 201.3 million litas or 43.8 percent, whereof expenses of balancing-regulating electricity totaled 67 million litas (14.6 percent of total expenses of the Group), expenses of power reservation – 64.2 million litas (14 percent), expenses of purchase of electricity for compensation of technological losses in the network – 42.1 million litas (9.2 percent), expenses of transit (partnership in the Inter-transmission system operators compensation mechanism) – 18.2 million litas (4 percent), expenses of provision of public service obligations – 9.8 million litas (2.1 percent).

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Profit (loss)

The Group's profit before tax for the year ended 2011 totaled 19.7 million litas, net loss – 16.8 million litas.

The main reason for the Group's loss is that the expenses of depreciation and amortization of transmission network for the year ended 2011 in Litgrid financial statement totaled 132.5 million litas and were significantly higher than expenses of depreciation and amortization, estimated by the Commission when setting the transmission rate (53.7 million litas).

The Group's EBITDA totaled 111.3 million litas, EBITDA margin – 25.6 percent.

Balance sheet and cash flow

For the year ended 31 December 2011 the Group's asset totaled 2.503 million LTL. Long-term asset of the Group totaled 84 percent of total asset of the Group, equity totaled 75.9 percent of the asset of the Group.

For the year ended 2011 the Group had no financial liabilities to credit institutions, its cash, cash equivalents, and investments, kept until redemption, amounted to 201.8 million litas, whereof 61.1 million litas was funds of administered public service obligations.

Net cash flow from the main activities of the Group for the year ended 2011 totaled 101.8 million litas, payments for acquired long-term tangible and intangible asset totaled 160.8 million litas.

Net cash flow excluding cash flow into investments, kept until redemption (which was equal 93.6 million litas) totaled 84.8 million litas.

Transmission system operator's performance indicators

According to the requirements for electricity transmission reliability and quality of services approved by the National Control Commission for Prices and Energy, the following indicators are used for establishing the electricity transmission reliability level: END, i.e. volume of electricity not transmitted, which shows the volume of electricity that was not transmitted due to loss of connections during the reporting period, and AIT, i.e. the average interruption time.

The minimum level of reliability determined by the Commission for 2011 was as follows: END - 5 MWh (actually it was 7.55 MWh), AIT - 0.26 min (actually it was 0.35 min).

Other essential information

On 29 July 2011 the National Control Commission for Prices and Energy coordinated the investment project "Lithuania – Sweden Interconnection" and for implementation of the project for the period of 2011 – 2016 determined 479 million litas for public service obligations. The funds of public service obligations, allocated by the Commission and received by the Company in 2011, totaled 92 million litas, the amount of funds, allocated for 2012, totals 85 million litas.

Investment into long-term asset

Litgrid's investment in the property to be used in the transmission activity in 2011 amounted to 159.9 million LTL. The major portion of the investment was allocated for the implementation of strategic objects – 94.1 million LTL (59 percent of total investment). Investment into reconstruction and expansion of the transmission grid totaled 65.8 million LTL (41 percent of total investment).

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Risk factors

POLITICAL RISK FACTORS

Electricity sector is a particularly important area of economy that highly influences national political and economic interests. The management, structure and functioning of the power sector in the Republic of Lithuania is under the regulation of the Law on Energy and the legal instruments. Any amendments of the legal instruments regulating the power sector either at the European Union or national level may result in the changes of Litgrid Group operation.

The prices of electricity services are regulated and ceiling of prices are set by the National Control Commission for Prices and Energy. Results of Litgrid activities are directly dependent on these decisions.

FINANCIAL RISK MANAGEMENT

At the performance of the activity Litgrid Group companies may encounter the financial risk, i.e. credit risk, liquidity risk and market risk (foreign currency risk, interest rate risk with respect of the true value and cash flow, securities price risk). At managing such risks the Group companies seek to mitigate the influence of the factors that may have negative impact on the financial results of the Group activity. Risk management is performed by the Finance Planning and Treasury Department of the Company pursuant to the description of treasury management procedure of Litgrid Group, approved by Litgrid Board.

Information on the Company's financial risk and management thereof is given under Note 30 of Consolidated and Company's financial account of Litgrid, AB for the year ended 2011.

TECHNICAL RISK FACTORS

The Lithuanian power system has many interconnecting system lines with the neighboring power systems. The available power and balancing facilities are rather scarce therefore the management of the capacity and power balancing is quite complicated.

About 50 percent of all the equipment in transformer substations is older than 25 years. 35 percent of all the 110 kV overhead lines and 24 percent of all 330 kV overhead lines are older than 45 years. Failures and breakdowns of the most important technological facilities used in the activities can have a negative effect on the activities and financial results of Litgrid.

ECOLOGICAL RISK FACTORS

The companies of the Group follow environmental protection rules providing for proper marking, use and storage of hazardous substances used by it, ensures that the facilities operated by it meet the requirements applicable to their use. The work in operated objects, where there is more risk of environmental damage due to the volumes of emitted pollutants or production of waste, is carried out in accordance with Integrated Pollution Prevention and Control (IPPC) permits issued to the Company by regional environmental protection departments.

References and additional explanatory notes regarding the data provided in the consolidated financial statements

The explanatory note of financial statements for the year 2011 explains the financial information in more detail.

Dividend policy

The Government of the Republic of Lithuania, that indirectly (through Visagino Atominė Elektrinė UAB) holds 97.5 percent of Litgrid's shares, by its Resolution No. 20 of 14 January 1997 (version of Resolution No. 1451 of 3 December 2001) has set principles of distribution of dividend for state-owned shares.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

III. INFORMATION ON SHARE CAPITAL AND SHAREHOLDERS

Litgrid has not acquired own shares; the Company did not acquire and did not assign own shares over the accounting period. Daughter-enterprises of the Company have not acquired the Company's shares either.

The authorized capital of the Company registered in the Register of Legal Entities on 16 November 2010 amounts to LTL 504,331,380. It is divided into 504,331,380 ordinary registered shares of one Litas nominal value each. All the shares are fully paid up and grant equal rights to the shareholders. As of 22 December 2010 Litgrid's shares have been included in Subsidiary trade list of NASDAQ OMX Vilnius Stock Exchange, issue ISIN code LT0000128415.

The number of shareholders of the Company for the year ended 31 December 2011 was 5955 (five thousand nine hundred fifty five). For the year ended 31 December 2011 Visagino Atominė Elektrinė UAB (Žvejų g. 14, LT-09310 Vilnius, organization identification number 301844044) owned 491,736,153 ordinary registered shares of the Company, i.e. 97.5 percent of Litgrid's authorized capital.

On 25 October 2011 Litgrid signed a contract with AB SEB bankas on the Company's securities accounting and services related to securities accounting. The contract is valid until 1 November 2012.

Securities of daughter-enterprises of the Company are not traded on stock exchange.

Articles of Association

Articles of Association of Litgrid are amended in the manner prescribed by the Law on Companies of the Republic of Lithuania. The decision is made by 2/3 majority vote of the shareholders attending the meeting.

General Meeting of Shareholders

The General Meeting of Shareholders is the supreme body of the Company.

The competence of the General Meeting of Shareholders and the procedure for convening the meeting and adopting decisions are governed by laws, other legal acts and the Articles of Association.

Board of the Company

The Board, constituting five members, is elected for the term of office of four years. The term of office of the Board starts after the end of the General Meeting of Shareholders that has elected the Board and ends on the day of the General Meeting of Shareholders that is held during the year of the end of the term of office of the Board.

If the Board or the member of the Board is withdrawn, resigns, or abandons the office due to some other reasons before the end of term of office, a new Board or a member of the Board is elected for the remaining term of office. Shareholder of the Company or his representative, where suggesting the candidacies to the members of the Board, must provide information in writing on qualification, experience, and eligibility of suggested member to hold the office of a member of the Board. Candidates to the members of the Board must submit a written consent to hold the office and the declaration of interests.

The Board shall elect the chairman of the Board from among its members.

The Board follows the laws, other legal acts, Articles of Association, decisions of the General Meeting of Shareholders, as well as regulation of work of the Board.

The Board is a collegial management body of the Company.

Powers of the Board, procedure of decision-making as well as election and revocation of the members is established by the laws, other legal acts, and Articles of Association.

The Board is subordinate to the General Meeting of Shareholders.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

ACTIVITIES OF THE BOARD

The Board considers and approves the strategy of the Company's activities, its budget, as well as the organizational structure of the Company, employee positions, and total number thereof, establishes the terms and conditions of employment contract of the manager of internal audit subdivision, approves his job description, provides incentives for and imposes penalties against him. The Board makes decisions on assignment of shares or rights granted by shares to other persons, issuance of debenture bonds, allocation of assistance, involvement of the Company in the activities of various associations, establishment of daughter-enterprises and subsidiaries as well as activities thereof. Moreover, the Board takes the decision on the transactions of the value higher than 10 million litas and disposal of facilities of strategic significance to national safety.

The Board also resolves the issues in respect of which the Board is addressed by the Managing Director. If the decisions of the Board require the approval of the General Meeting of Shareholders, the Board decisions may be implemented only upon approval of the General Meeting of Shareholders.

ACTIVITIES OF THE MANAGER

The Managing Director is a one-person managing body of the Company. The Managing Director organises the Company's activities, manage the Company, act on behalf of the Company and unilaterally conclude transactions.

The competence of the Managing Director and the procedure for election and recall thereof are governed by laws, other legal acts and the Articles of Association.

Litgrid's Members of the Board, Managing Director, and Chief Financier:

Position	Name, surname	Beginning date	End date	Number of issuer's shares held
Board				
Chairman of the Board	Arvydas Darulis	2011-11-03		-
Member of the Board	Romas Švedas	2010-10-28	2011-09-12	-
Member of the Board	Violeta Greičiuvienė	2010-10-28		-
Member of the Board	Renatas Šumskis	2010-10-28	2011-04-01	-
Member of the Board	Vidmantas Grušas	2010-10-28	2011-04-01	-
Member of the Board	Virgilijus Poderys	2010-12-08		-
Member of the Board	Gintaras Labutis	2011-04-01	2011-11-02	-
Member of the Board	Viktorija Sankauskaitė	2011-11-03		-
Member of the Board	Valentinas Pranas Milaknis	2011-04-01		-
Managing Director	Virgilijus Poderys	2010-12-08		-
Chief Financier	Tatjana Didikienė	2010-11-17		-

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Litgrid's Members of the Board

ARVYDAS DARULIS, VICE-MINISTER OF ENERGY, CHAIRMAN OF THE BOARD

Born in 1965; in 1986-1991 studied in Vilnius University – Department of Industrial Economics and Management and acquired the Economist's qualification degree. Completed Baltic Economic Management training program in Dalhousie University (Canada) – Baltic Institute of Corporate Governance. In 1991-1994 worked as a Head of Commercial Privatization Department of the Ministry of Economy of the Republic of Lithuania, in 1994-1996 – Auditor of KPMG Lietuva, in 1996-2007 – Director of Public Organization Lithuanian SME Development Agency, in 2007-2009 – Director of Territorial Network Management Department of AB bankas Snoras, in 2009-2010 – Head of Strategic Project Department of the Ministry of Energy of the Republic of Lithuania, since 2010 – Vice-Minister of Energy.

VIOLETA GREIČIUVIENĖ, MEMBER OF THE BOARD

Born in 1972; in 1990-1996 studied in Vilnius Gediminas Technical University – Department of Business Management; in 1997-2004 worked as the Chief Specialist of Nuclear Energy Division of Energy Development Department of the Ministry of Economy of the Republic of Lithuania, in 2004-2005 – Manager of Ignalina NPP Problems Co-ordination Division of Energy Development Department of the Ministry of Economy of the Republic of Lithuania, in 2005-2010 – Nuclear Energy Attaché of the Republic of Lithuania at Permanent Representation of the Republic of Lithuania under International Organizations in Vienna.

VALENTINAS PRANAS MILAKNIS, MEMBER OF THE BOARD

Born in 1947; in 1970 graduated from Kaunas University of Technology, Vilnius Branch – Department of Device Manufacturing and acquired the specialty of a Radio Engineer; in 1971-1989 worked as the Engineer and Assistant to Chief Engineer of Municipal Economy Design Institute, in 1989-1999 – Director of AB Alna, in 1999-2000 – Minister of Economy of the Republic of Lithuania, in 2001-2003 – General Manager of Lithuanian National Radio and Television, in 2003-2007 – President of Alnos biuro sistemos, in 2007-2009 – Chairman of the Board of Alna Group, in 2009-2010 – Advisor to the Prime Minister of the Republic of Lithuania and Chairman of the Commission for Improvement of State's Governing, since 2011 – Member of the Board of UAB Alna.

VIRGILIJUS PODERYS, MEMBER OF THE BOARD IR MANAGING DIRECTOR OF LITGRID

Born in 1961; in 1979-1984 studied in Vilnius University – Faculty of Physics, in 1999-2000 – Baltic Management Institute and Vytautas Magnus University; in 1997-2006 worked as the Chairman of the Lithuanian Securities Commission, in 2006-2007 – Adviser to the Prime Minister of the Republic of Lithuania on financial matters, in 2007-2009 – Chairman of the National Control Commission for Prices and Energy.

VIKTORIJA SANKAUSKAITĖ, MEMBER OF THE BOARD

Born in 1979; in 1997-2005 studied in Kaunas University of Technology and acquired the Master's qualification degree in Energy. In 2007-2008 worked as the Chief Specialist of Division of Strategic Projects of Energy of Energy Department of the Ministry of Economy of the Republic of Lithuania, in 2008-2009 – Head of Division of Strategic Projects of Energy of Energy Department of the Ministry of Economy of the Republic of Lithuania, in 2009-2010 – Chief Specialist of Energy Efficiency Division of the Ministry of Energy of the Republic of Lithuania, since 2010 – Head of Division for Renewable Energy Resources of the Ministry of Energy of the Republic of Lithuania.

Benefits for the work in the Board of the Company are not paid to the manager of the Company and other members of the Board. Total amount of salary, calculated for the managing director and chief financier of the company over the accounting period, was 363,862; average amount of calculated salary per person (for managing director and chief financier) was 181,931.

Information on major transactions of affiliated parties, amounts thereof, nature of relations between affiliated persons, and such other information on transactions, which is necessary in order to understand the financial status of the company, is given in the explanatory note to the financial accounts under Note 28.

Information on compliance with the management code of companies is given in the appendix hereto.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Transparency

The Company complies with all provisions of Sections IV-VIII of the Transparency Guidelines, except for the following:

- The Company has not published monthly salary of Company Managers and employees;
- The Company has not indicated in the annual report the average salary by divisions

In 2011 Litgrid made the following announcements on the essential events:

30/12/2011	Litgrid invests into electricity transmission grid
30/11/2011	Intermediate (nine months) financial results of Litgrid Group of 2011
08/11/2011	Re: Election of the Chairman of the Board
03/11/2011	Decisions made by Litgrid at the Extraordinary General Meeting of Shareholders held on 3 November 2011
27/10/2011	Information on the decisions of the National Control Commission for Prices and Energy
07/10/2011	Extraordinary General Meeting of Shareholders of Litgrid is convened
07/10/2011	Information on notification of resignation
07/10/2011	Litgrid announcement at Vilnius Invest 2011 Conference
30/09/2011	Information on ceiling of the price of transmission service through high voltage networks for 2012
13/09/2011	Information on notification of resignation
31/08/2011	Financial results of Litgrid Group of the first six months of 2011
25/07/2011	Coordinated sources of financing of NordBalt
10/06/2011	Re: Difference of preliminary and audited results of LITGRID turtas AB of 2010
31/05/2011	Litgrid's consolidated and Company's concise intermediate financial information
20/05/2011	Re: Registration of Articles of Association of Baltpool
03/05/2011	Notification of contract concluded
29/04/2011	Annual information for the year ended 2010
29/04/2011	Decisions made by Litgrid at the Ordinary General Meeting of Shareholders held on 29 April 2011
27/04/2011	Re: Announcement of electricity transmission service prices, rates, and procedure for application thereof as revised
13/04/2011	Re: Supplements to the agenda of the Ordinary General Meeting of Shareholders of Litgrid to be convened and approval of draft decision
01/04/2011	Decisions made by Litgrid at the Extraordinary General Meeting of Shareholders held on 1 April 2011
01/04/2011	Announcement of financial indicators, suggested by the Ministry of Finance of the Republic of Lithuania to Litgrid to aspire after in 2011
30/03/2011	Announcement of the assessment of shares of Baltpool UAB
30/03/2011	CORRECTION: Ordinary General Meeting of Shareholders of Litgrid is convened
29/03/2011	Ordinary General Meeting of Shareholders of Litgrid is convened
15/03/2011	The name of Litgrid turtas AB is changed to Litgrid AB
10/03/2011	Extraordinary General Meeting of Shareholders of LITGRID turtas AB is convened
04/03/2011	Decisions made by LITGRID turtas AB at the Extraordinary General Meeting of Shareholders held on 4 March 2011
04/03/2011	Announcement of withdrawal of Litgrid AB from the Register of Legal Entities
01/03/2011	LITGRID turtas AB takes over of Litgrid's assets, rights, and obligations
28/02/2011	Preliminary consolidated non-audited results of activities of LITGRID turtas AB Group for the year ended 2010
25/02/2011	Announcement of electricity transmission license, granted to LITGRID turtas AB
09/02/2011	Extraordinary General Meeting of Shareholders of LITGRID turtas AB is convened
31/01/2011	Re: Appeal to the National Control Commission for Prices and Energy
25/01/2011	Decisions made by LITGRID turtas AB at the Extraordinary General Meeting of Shareholders held on 24 January 2011
20/01/2011	Re: Information on consideration of terms and conditions of dissociation to be equivalent to the prospect
11/01/2011	Income of LITGRID turtas AB for the year ended 2010 may total 900 million litas
11/01/2011	Presentation of LITGRID turtas AB to investors
04/01/2011	Invitation to presentation of LITGRID turtas AB

All information on material events that took place during the first six months in 2011 is available on the website of NASDAQ OMX Vilnius at www.nasdaqomxbaltic.com and on the website of the Company at www.litgrid.eu

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

"Litgrid" notice regarding compliance with the Corporate Governance Code for the Companies Listed on AB NASDAQ OMX Vilnius Stock Exchange

In accordance with Article 21, paragraph 3 of the Republic of Lithuania Law on Securities and item 20.5 of the Trade Rules of public limited liability company Vilnius Stock Exchange, "Litgrid" hereunder discloses its compliance with the Corporate Governance Code for the companies whose securities are traded on the regulated market, approved by AB NASDAQ OMX Vilnius Stock Exchange, and the specific provisions. In the event of non-compliance with the Code or certain provisions, it should be indicated which specific provisions are not complied with and for what reasons.

PRINCIPLES/RECOMMENDATIONS	YES/ NO	COMMENT
Principle I: Basic Provisions The overriding objective of a company should be to operat optimizing over time shareholder value.	e in com	nmon interests of all the shareholders by
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	YES	Main trends of development and strategy of the Company are published on the Company's website www.litgrid.eu as well as annual and interim reports.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	YES	The Company's board takes fundamental strategic decisions that determine the increase of equity (optimization of Company's activity functions and structure, other operations, increasing the efficiency of Company's activities and decreasing cost). The manager of the Company and advisory body set up by him – board of directors – organizes and performs economic and financial activities of
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	YES	the Company. Collegial supervisory body – supervisory board – is not set up in the Company. The board to represent the shareholders' interests is set up in the Company. Board meetings are regularly held in the Company, where the board members are regularly furnished with information on activities of the Company.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	YES	 The bodies of the Company respect the rights and interests of the persons, who are involved in the activities of the Company and associated with the activities of the Company. Since the establishment, the Company has been cooperating and engaged in social partnership with the representatives of the employees of the Company (collective agreement is drawn in the Company). The Company performs financial and such other obligations, assumed against the creditors. The Company organizes social projects, involving children, youth, local communities, and other social groups. Further information on the initiatives, performed by the Company, is given on the Company's website and annual report.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Principle II: The corporate governance framework

The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.

- 2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.
- 2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance.

A collegial supervisory body is responsible for the effective supervision of the company's management bodies

- 2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.
- 2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.

NO Collegial supervisory body – supervisory board – is not set up in the Company.

The board and the manager of the Company act in the Company.

With a view to assist the manager of the Company to organize and perform economic and financial activities of the Company, the Company has an advisory body – board of directors. The board of directors constitutes general manager, directors of departments of the Company, and manager of legal department.

YES

NO Collegial supervisory body – supervisory board – is not set up in the Company.

NO Collegial supervisory body – supervisory board – is not set up in the Company.

YES/ Recommendations, set forth in Principles III and IV, are not implemented in the Company in full scope; however, the Company complies with any and all requirements, provided in legal acts, raised for formation of collegial body.

It should be noted that the Company performs electricity transmission activities, therefore, the activities thereof are strictly governed by legal acts and monitored by respective state institutions (National Control Commission for Prices and Energy, etc.). Moreover, the Company ensures transparency and expedition of taking of such decisions as well as implements the principles of non-discrimination of consumers of the Company, reduction of cost of the Company, and such other principles.

Collegial supervisory body – supervisory board – is not set up in the Company.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.

YES

In accordance with Article 34 of the Articles of Association of the Company, the board of the Company constitutes 5 (five) members. According to the Company, such number of board members is sufficient, since it ensures expeditious and efficient decision-making.

The board takes decisions at the board meetings. The board meeting is deemed to have been held and the board has the right to take decision, when the meeting is attended at least 4 (four) members. The decision of the board is deemed to have been accepted, when there are more votes "for" than "against".

Collegial supervisory body - supervisory board - is not set up in the Company.

2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to applicaindividual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.

Not

Collegial supervisory body - supervisory board - is not set up in the Company.

The board of the company is elected for the period of 4 (four) years. The length of the term of office of the board members of the Company is maximum allowed in accordance with the Law on Companies of the Republic of Lithuania. Both the entire board and single members thereof may be revoked at the general meeting of shareholders before the expiration of term of office thereof.

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.

YES

The board of the Company and the chairman of the board are elected pursuant to the requirements, established by the Law on Companies of the Republic of Lithuania. The manager of the Company is not elected as the chairman of the board.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.

YES/

NO

YES/

NO

- 3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.
- 3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.

3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.

- YES The board of the Company is elected by the general meeting of shareholders of the Company pursuant to the requirements, established in the Law on Companies of the Republic of Lithuania.
 - Information on the candidates to the board members of the Company is usually provided to the shareholders in the manner prescribed by the Law on Companies of the Republic of Lithuania at the general meeting of shareholders, the agenda whereof covers the matter of discussion of election of the board members, which is not announced beforehand. In accordance with Article 38 of the Articles of Association of the Company, every candidate to the board members must provide the general meeting of shareholders with the declaration of interests of the candidate, specifying any and all circumstances that could cause the interest conflict between the candidate and the Company. In the event of new circumstances that could cause the interest conflict between the board member and the Company, the board member must immediately inform the Company and the board of such new circumstances in writing.
 - Information on the office held by the board members or involvement in the activities of other companies is continually collected, compiled, and presented in the annual report and on the Company's website.

Information on the candidates to the board members of the Company is usually presented to the general meeting of shareholders in the manner prescribed by the Law on Companies of the Republic of Lithuania at the general meeting of shareholders (See comment of Clause 3.2). Information on work experience and office held by the candidates to the board members as well as such other information describing the competences of the candidate is presented at the general meeting of shareholders.

Information on the office held by the board members or involvement in the activities of other companies is continually collected, compiled, and presented in the annual report and on the Company's website.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly.

The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.

At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.

- 3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.
- 3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.
- 3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:
- He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;
- He/she is not an employee of the company or some any company and has not been such during the last three years,

NO In accordance with the Law on Companies of the Republic of Lithuania, in case, where the supervisory board is not set up, the board is elected and qualification of the members is assessed at the general meeting of shareholders. The board does not have any right to set its own constitution.

YES

NO The remuneration committee is not set up in the Company.

YES Newly elected board members of the Company are enabled to meet with the managers of structural subdivisions of the Company and familiarize with the activities of the Company.

It should be noted that the board members are regularly informed of the Company's activities at the board meetings and individually at the members' request.

- YES The articles of association of the Company do not contain the provision that a certain number of independent members shall be elected as the board members; however, one out of five board members of the Company is independent. Formation of the board (and election of independent members to the board) is within the scope of powers of the members of the general meeting of shareholders.
- NO The board of the Company has not set any specific criteria for assessment of independence, since there has never been any need for that. Also see the comment of Clause 3.6.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

- except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;
- 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance-based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);
- He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);
- 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;
- 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;
- 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;
- 8) He/she has not been in the position of a member of the collegial body for over than 12 years;
- 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.
- 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.

NO See comment of Clause 3.6.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

- 3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.
- NO The practice of publishing the assessment of independence of the members of collegial management body has so far not been applied in the Company.

- 3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.
- NO The practice of assessment of independence of the members of collegial management body has so far not been applied in the Company.
- 3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.
- NO The board members of the Company are not remunerated from the Company's funds; therefore, this provision is not relevant for the Company.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meetingThe corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.

YES

- 4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.
- YES The board, elected in the Company, provides the general meeting of shareholders with feedback and suggestions on the Company's annual financial statement, draft allocation of profits, annual report, and activities of the manager of the Company, as well as performs such other functions, attributed to the scope of powers of the board.
- 4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions, (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company.
- Any and all board members act in good will in regard to the Company, follow the interests of the Company in view of the society's welfare. It should be noted that in accordance with Article 48 of the Articles of Association of the Company, a board member shall be entitled to express his opinion on any and all matters, provided in the agenda of the meeting, which is indicated in the minutes of the board meeting.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company not – pertaining body (institution).

- 4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half9 of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.
- 4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.
- 4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.

4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies.

NO Independence of the board members is not assessed; see comments of Clauses 3.6 and 3.7.

YES The board members of the Company actively attend the meetings of collegial body and grant sufficient time as a member of collegial body to perform his duties. The board members attending the meeting are indicated in the minutes of the meeting.

YES The shareholders are informed of the Company's strategy, risk management, and solution of conflict of interests in the manner prescribed by legal acts.

Communication of the board members

YES/

NO

YES

with the shareholders and obligations to them are established pursuant to the requirements of the Law on Companies of the Republic of Lithuania.

The management bodies of the Company enter into and approve the transactions pursuant to the requirements of legal acts and articles of association of the Company.

It is established in Clause 17.2 of the Articles of Association of the Company that the general meeting of shareholders takes decisions on the agreements with the board members and chairman of the board as concerning the activities in the board, if they are concluded by the decision of the general meeting of shareholders, establishment of standard terms and conditions of such agreements, as well as appointment of a person, authorized to sign such agreements.

Independence of the board members is not assessed; see comment of Clause 3.6.

The board of the Company, where taking decisions that are significant for the activities and strategy of the Company, acts independently.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.

When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit.

Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.

NO The Company ensures the provision of the board with the resources that are necessary for the activities thereof (technical supervision of the board meetings, provision of any necessary information).

YES The remuneration committee is not set up in the Company.

NO Independence of the board members is not assessed; see comment of Clause 3.6.

YES/ The audit committee is set up in the Company. Nominating and remuneration committees are not set up.

According to the Company, the work of the board is sufficiently efficient and well organized; therefore, the board is able to perform any and all functions, attributed to the nominating and remuneration committees, on its own.

YES/ The audit committee is set up in the Company. Nominating and remuneration committees are not set up.

AS AT 31 DECEMBER 2010

4.9. Committees established by the collegial body should normally be composed of at least three members.	YES	The audit committee constitutes three members.
In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	NO	The audit committee constitutes one independent member.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	YES	The powers of the audit committee are established by the general meeting of shareholders of the Company. See comment of Clause 3.6.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	YES	
4.12. Nomination Committee.	NO	There is no Nomination committee formation practice in the collegial bodies.
4.12.1. Key functions of the nomination committee should be the following:		
 Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 		

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

- Assess on regular basis the skills, knowledge and experience of individual directors and report on this tothe collegial body;
- 4) Properly consider issues related to succession planning;
- 5) Review the policy of the management bodies for selection and appointment of senior management.
- 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.
- 4.13. Remuneration Committee.
- 4.13.1. Key functions of the remuneration committee should be the following:
- Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;
- 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;
- 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company.
- 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation.
- Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;
- Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);
- 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.

NO There is no Remuneration committee formation practice in the collegial bodies.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

- 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:
- Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;
- Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;
- 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.
- 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.
- 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.
- 4.14. Audit Committee.
- 4.14.1. Key functions of the audit committee should be the following:
- Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);
- At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;
- 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;
- 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;
- 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of

YES Audit committee is set up in the Company. Also the audit committee is set up in the patronizing company UAB Visagino atominė elektrinė.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;

- 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.
- 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.
- 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.
- 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.
- 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.
- 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.

NO The Company does not perform the assessment of activities of collegial body and does not have practice of publishing respective information.

Principle V: The working procedure of the company's collegial bodies

The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.

- 5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.
- 5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.
- 5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.
- 5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.

YES

YES In the Company the board meetings in accordance with Article 45 of the Articles of Association of the Company are held at least once every calendar quarter of the year. Pursuant to the work regulation of the board, in the beginning of calendar year the board makes a timetable of ordinary board meetings.

YES Pursuant to the work regulation of the board, the board members and persons invited to the meeting are informed of the meeting convened 5 (five) working days in advance; they are also furnished with any and all necessary material relevant to the matters to be discussed, provided in the agenda of the meeting.

NOT Only the board is set up in the Company, APPLI- which assembles as per approved timeta-CABLE ble and work plan.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

- 6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.
- YES In the Company total authorized capital comprises of 1 litas denomination ordinary registered shares, which grant equal property and non-property rights to any and all holders thereof.
- 6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.
- YES The articles of association of the Company, which are published on the Company's website, cover the rights granted by shares
- 6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.13 All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.
- YES Clauses 17, 30, and 31 of the Articles of Association of the Company establish the criteria of important transactions to establish transactions that require the consent of the general meeting of shareholders.
- 6.4. Procedures of convening and conducting a general share-holders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.
- YES The Company convenes the general meeting of shareholders and implements such other procedures of the meeting in the manner prescribed by the Law on Companies of the Republic of Lithuania.
- 6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.
- YES Pursuant to the Law on Companies, the Company publishes draft decisions of the general meeting of shareholders beforehand on publicly accessible Company's website in Lithuanian and English languages.

6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.

The decisions of the general meeting of shareholders that are taken are published on the Company's website in Lithuanian and English languages.

This information, pursuant to the articles of association of the Company and other legal acts, is also published with NASDAQ OMX Vilnius as well as electronic publication, distributed by the Center of Registers.

The Company's shareholders have the right to implement their right to attend the general meeting of shareholders both in person and through representative, if a person has a due power of attorney or has concluded an agreement of assignment of voting right in the manner prescribed by legal acts. The Company enables the shareholders to vote by filling in the general ballot paper, as provided by the Law on Companies of the Republic of Lithuania.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.

NO There is no practice of voting by means of electronic communications.

Principle VII: The avoidance of conflicts of interest and their disclosure

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.

7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.

YES

YES

YES

YES Pursuant to Article 35(6) of the Law on Companies of the Republic of Lithuania, the board member of the Company is not entitled to vote, when the board meeting solves the matter relevant to his activities in the board or his responsibilities.

Moreover, in accordance with legal acts, the members of the bodies of the Company must avoid the situation, where private interests thereof conflict with or may conflict with the Company's interests.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Principle VIII: Company's remuneration policy

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.

NO

- 8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.
- the annual report of the Company.

 Pursuant to Article 25(5) of the Law on Energy of the Republic of Lithuania, the Company publishes wages set for the members of management bodies of the Company and such other benefits relevant to the functions of the members of management bodies.

 8.2. Remuneration statement should mainly focus on directors'

 NO

 The annual report does not cover the policy for the following year and, if appropriate, cy of remuneration for the directors of the
- 8.3. Remuneration statement should leastwise include the fol-

the subsequent years. The statement should contain a sum-

mary of the implementation of the remuneration policy in the

previous financial year. Special attention should be given to any

significant changes in company's remuneration policy as com-

pared to the previous financial year.

lowing information:

- 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;
- Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;
- 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;
- 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;
- 5) Sufficient information on deferment periods with regard to variable components of remuneration;
- Sufficient information on the linkage between the remuneration and performance;
- 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;
- 8) Sufficient information on the policy regarding termination payments;
- Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;
- 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code:

salaries for directors, as well as report on remuneration policy of the Company according to the practice in the Company is not prepared. Such requirement is not established by legal acts. General information on the remuneration policy of the Company and average salaries of individual groups of employees are published in the annual report of the Company. Pursuant to Article 25(5) of the Law on Energy of the Republic of Lithuania, the Company publishes wages set for the members of management bodies of the Company and such other benefits relevant to the functions of the members of mana-

The procedure for approving, revising,

and publishing of remuneration policy and

- NO The annual report does not cover the policy of remuneration for the directors of the Company for the next and coming years. The annual report covers the information on the amounts of money, calculated for the members of the bodies of the Company (salaries, other benefits, bonus, and other benefits from profit).
- NO The annual report covers the information on the amounts of money, calculated for the members of the bodies of the Company (salaries, other benefits, bonus, and other benefits from profit), information on the asset assigned and guarantees granted to the members of the bodies, as well as such other information relevant to reward to the members of the bodies.

 See comment of Clause 8.1.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

- Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;
- 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;
- Remuneration statement should not include commercially sensitive information.
- 8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.
- 8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.
- 8.5.1. The following remuneration and/or emoluments-related information should be disclosed:
- The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;
- 2) The remuneration and advantages received from any Entity belonging to the same group;
- The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;
- If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;
- 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year:
- 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.
- 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:
- The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;
- 2) The number of shares options exercised during the relevant

NO There is no practice to publish respective information.

NO There is no practice to publish respective information.

AS AT 31 DECEMBER 2010

financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year.		
8.5.3. The following supplementary pension schemes-related information should be disclosed:1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.		
8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	NO	There is no practice to publish respective information.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	NO	There is no practice to publish respective information.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	NO	There is no practice to publish respective information.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	NO	There is no practice to publish respective information.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	YES	
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	YES	

AS AT 31 DECEMBER 2010

8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	NO	There is no practice to publish respective information.
8.13. Shares should not vest for at least three years after their award.	YES	N/A
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	YES	N/A
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	YES	N/A
8.16. Remuneration of non-executive or supervisory directors should not include share options.		
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	YES	
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	YES	
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	NO	The company does not apply such schemes and does not have practice of publishing respective information.

AS AT 31 DECEMBER 2010

8.20. The following issues should be subject to approval by the shareholders' annual general meeting:	NO	The company does not apply such schemes and does not have practice of publishing respective information
 Grant of share-based schemes, including share options, to directors; Determination of maximum number of shares and main conditions of share granting; The term within which options can be exercised; The conditions for any subsequent change in the exercise of the options, if permissible by law; All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 		hing respective information.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	NO	The company does not apply such schemes and does not have practice of publishing respective information.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	NO	The company does not apply such schemes and does not have practice of publishing respective information.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	NO	The company does not apply such schemes and does not have practice of publishing respective information.

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.

YES

9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.

YES The Company follows these recommendations.

For example, consultations, negotiations, discussions take place with the representatives of employees of the Company as concerning the activity optimization processes, performed in the Company. In accordance with the collective agreement of the Company, signed with the representatives of employees of the Company, the Company informs the representatives of labor unions of changes, expected in the Company, financial status of the Company, etc.

Interest holders have the right to be involved in the management of the Company to the extent, provided by the laws.

9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.

YES

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. The company should disclose information on:

YES (excl.

1) The financial and operating results of the company;

items 4 and 7)

- 2) Company objectives;
- 3) Persons holding by the right of ownership or in control of a block of shares in the company;
- Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;
- 5) Material foreseeable risk factors;
- Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;
- 7) Material issues regarding employees and other stakeholders;
- 8) Governance structures and strategy.

This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.

AS AT 31 DECEMBER 2010

10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	YES	
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	NO	There is no practice to publish respective information.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	NO	There is no practice to publish respective information
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on NASDAQ OMX Vilnius, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	YES	
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	YES	
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should annuance information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	YES	

AS AT 31 DECEMBER 2010

(All amounts in LTL thousands unless otherwise stated)

Principle XI: The selection of the company's auditor

The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.

11.1. An annual audit of the company's financial reports and	ΥI
interim reports should be conducted by an independent firm of	
auditors in order to provide an external and objective opinion	
on the company's financial statements.	
11.2. It is recommended that the company's supervisory board	ΥI

YES

11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.

YES After selecting an audit company, it is presented at the general meeting of shareholders by the board of the Company.

11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.

YES