Lietuvos energija

2012-05-31 No. SD-1685

CONFIRMATION OF RESPONSIBLE PERSONS

Referring to the provisions of the Article 22 of the Law on Securities of the Republic of Lithuania, we, undersigned Dalius Misiūnas, CEO of Lietuvos energija AB, Artūras Jočius, Director of Finance and Legal Department and Giedruolė Guobienė, Chief Financier of Lietuvos energija AB hereby confirm that, to the best of our knowledge, the Company's and consolidated interim financial statements for the period ended 31rch 2012 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the Lietuvos energija AB and consolidated assets, liabilities, financial position, profit and cash flow for the relevant period.

Dalius Misiūnas	CEO
Artūras Jočius	Director of Finance and Legal Department
Giedruolė Guobienė	Chief Financier

LIETUVOS ENERGIJA AB

CONSOLIDATED AND COMPANY'S
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD
ENDED 31 MARCH 2012
(unaudited)

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The condensed interim financial information was approved by the General Director, Director of Finance and Legal Department and Chief Financier of Lietuvos Energija AB on 31 May 2012.

Dalius Misiūnas General director	Artūras Jočius Director of Finance and Legal departament	Giedruolė Guobienė Chief Financier

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2012
All amounts in LTL thousand unless stated otherwise

ASSETS	Note	Group at 31 March 2012 (unaudited)	Company at 31 March 2012 (unaudited)	Group at 31 December 2011	Company at 31 December 2011
Non-current assets					
Intangible assets	4	36,926	33,494	39,735	36,345
Property, plant and equipment	5	3,143,006	3,085,469	3,114,410	3,054,247
Prepayments for property, plant, equipment		14	14	2,769	2,769
Investment property		-	-	1,824	1,824
Investments in subsidiaries		-	54,651		54,651
Investments in associates and joint ventures		150,787	155,427	146,966	151,648
Deferred income tax assets		97	-	81	-
Other financial assets		9,637	9,637	9,657	9,657
Long term receivables		1,423	1,423	1,426	1,426
Total non-current assets		**3,341,890**	**3,340,115**	**3,316,868**	**3,312,567**
Current assets					
Inventories		87,241	85,729	125,537	123,721
Prepayments		4,974	2,371	2,936	1,909
Trade receivables		242,767	198,205	233,479	207,498
Other receivables		3,700	12,338	7,007	12,648
Prepaid income tax		10	-	3,157	3,147
Other financial assets		262	-	267	-
Cash and cash equivalents		65,531	49,658	27,907	8,281
		404,485	**348,301**	**400,290**	**357,204**
Non-current assets classified as held for sale		**1,738**	**-**	**3,283**	**1,543**
Total current assets		**406,223**	**348,301**	**403,573**	**358,747**
TOTAL ASSETS		**3,748,113**	**3,688,416**	**3,720,441**	**3,671,314**

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2012
All amounts in LTL thousand unless stated otherwise

EQUITY AND LIABILITIES	**Note**	**Group at 31 March 2012** *(unaudited)*	**Company at 31 March 2012** *(unaudited)*	**Group at 31 December 2011**	**Company at 31 December 2011**
Capital and reserves					
Share capital	6	635,084	635,084	635,084	635,084
Share premium		295,767	295,767	295,767	295,767
Revaluation reserve		13,560	8,220	13,735	8,395
Legal reserve		35,972	35,867	35,972	35,867
Other reserves		717,658	717,775	717,775	717,775
Retained earnings		(50,614)	(29,027)	(67,183)	(44,656)
Total equity attributable to owners of the Company		**1,647,427**	**1,663,686**	**1,631,150**	**1,648,232**
Non-controlling interest		40,386		39,951	
Total equity		**1,687,813**	**1,663,686**	**1,671,100**	**1,648,232**
Non-current liabilities					
Borrowings	7	598,694	598,694	602,258	602,258
Finance lease liabilities		233	-	319	-
Grants	8	1,023,474	1,023,420	1,008,569	1,008,569
Other non-current accounts payable and liabilities		46,148	45,874	46,137	45,863
Deferred income tax liabilities		124,161	123,200	125,431	124,311
Total non-current liabilities		**1,792,710**	**1,791,188**	**1,782,714**	**1,781,001**
Current liabilities					
Borrowings	7	39,698	31,790	39,908	38,739
Finance lease liabilities		519	-	584	-
Trade payables		122,939	94,927	116,830	103,759
Advance amounts received		14,349	11,921	17,628	14,885
Income tax payable		2,641	861	1,787	-
Provisions for emission rights	9	50,864	50,864	61,931	61,931
Other accounts payable and liabilities		36,580	43,179	27,958	22,767
Total current liabilities		**267,590**	**233,542**	**266,626**	**242,081**
Total liabilities		**2,060,300**	**2,024,730**	**2,049,340**	**2,023,082**
TOTAL EQUITY AND LIABILITIES		**3,748,113**	**3,688,416**	**3,720,441**	**3,671,314**

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012
All amounts in LTL thousand unless stated otherwise

	Note	Group 1 January - 31 March 2012	Company 1 January - 31 March 2012	Group 1 January - 31 March 2011	Company 1 January - 31 March 2011
		(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue					
Sales revenue		328,997	275,309	317,368	315,778
Other operating income		23,789	587	8,455	350
		352,786	**275,896**	**325,823**	**316,128**
Operating expenses					
Purchase of electricity or related services		(163,841)	(110,608)	(178,876)	(178,947)
Purchase of gas		(107,611)	(107,611)	(59,375)	(59,375)
Depreciation and amortisation		(18,598)	(15,016)	(16,844)	(16,194)
Salaries and related expenses		(16,284)	(8,028)	(11,942)	(9,577)
Repair and maintenance expenses		(1,624)	(4,611)	(1,165)	(1,172)
Revaluation of emission rights and provision expense		(2,116)	(2,116)	(3,263)	(3,263)
Inventory impairment		(4)	(4)	(990)	(990)
Other expenses		(22,479)	(9,080)	(11,247)	(5,741)
Total operating expenses		**(332,557)**	**(257,074)**	**(283,702)**	**(275,286)**
OPERATING PROFIT		**20,229**	**18,822**	**42,121**	**40,940**
Finance income		414	369	351	397
Finance (costs)		(1,178)	(1,092)	(2,123)	(1,853)
Share of results of activities of associates and joint ventures		159	-	341	-
		(605)	(723)	(1,431)	(1,456)
PROFIT BEFORE INCOME TAX		**19,624**	**18,099**	**40,690**	**39,484**
Current year income tax expense		(4,332)	(4,008)	(7,997)	(7,597)
Deferred income tax income/(expense)		1,321	1,148	(264)	(265)
		(3,011)	(2,860)	(8,261)	(7,862)
PROFIT FOR THE PERIOD		**16,613**	**15,239**	**32,429**	**31,622**
Other comprehensive income					
Gain on revaluation of property, plant and equipment		254	254	-	-
Deferred income tax related to (gain) on revaluation of property, plant and equipment		(38)	(38)	-	-
Other comprehensive income, net of deferred income tax		216	216	-	-
TOTAL COMPREHENSIVE INCOME		**16,829**	**15,455**	**32,429**	**31,622**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		16,613	15,239	32,429	31,622
Non-controlling interest		-	-	-	-
		16,613	**15,239**	**32,429**	**31,622**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		16,829	15,455	32,429	31,622
Non-controlling interest		-	-	-	-
		16,829	**15,455**	**32,429**	**31,622**
Basic and diluted earnings per share (in LTL)		**0.00**		**0.00**	

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012
All amounts in LTL thousand unless stated otherwise

	Attributable to owners of the Group								
Group	**Share capital**	**Share premium**	**Revaluation reserve**	**Legal reserve**	**Other reserves**	**Retained earnings (deficit)**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 31 December 2010	**635,084**	**295,767**	**8,583**	**35,867**	**717,775**	**35,107**	**1,728,183**	**-**	**1,728,183**
Depreciation of revaluation reserve	-	-	(119)	-	-	119	-	-	-
Comprehensive income	-	-	-	-	-	32,429	32,429	-	32,429
Balance at 31 March 2011	**635,084**	**295,767**	**8,464**	**35,867**	**717,775**	**67,655**	**1,760,614**	**-**	**1,760,614**
Balance at 31 December 2011	**635,084**	**295,767**	**13,735**	**35,972**	**717,775**	**(67,183)**	**1,631,150**	**39,951**	**1,671,101**
Depreciation of revaluation reserve	-	-	(175)	-	-	175	-	-	-
Other adjustments	-	-	-	-	(117)	-	(117)	-	(117)
Comprehensive income	-	-	-	-	-	16,394	16,394	435	16,829
Balance at 31 March 2012	**635,084**	**295,767**	**13,560**	**35,972**	**717,658**	**(50,614)**	**1,647,429**	**40,386**	**1,687,815**

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012
All amounts in LTL thousand unless stated otherwise

Company	Share capital	Share premium	Revalua-tion reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
Balance at 31 December 2010	**635,084**	**295,767**	**6,604**	**35,867**	**717,775**	**33,174**	**1,724,271**
Depreciation of revaluation reserve	-	-	(116)	-	-	116	-
Comprehensive income	-	-	-	-	-	31,622	31,622
Balance at 31 March 2011	**635,084**	**295,767**	**6,488**	**35,867**	**717,775**	**64,912**	**1,755,893**
Balance at 31 December 2011	**635,084**	**295,767**	**8,395**	**35,867**	**717,775**	**(44,656)**	**1,648,232**
Depreciation of revaluation reserve	-	-	(175)	-	-	175	-
Comprehensive income	-	-	-	-	-	15,455	15,455
Balance at 31 March 2011	**635,084**	**295,767**	**8,220**	**35,867**	**717,775**	**(29,026)**	**1,663,687**

(end)

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012
All amounts in LTL thousand unless stated otherwise

	Group 1 January – 31 March 2012	Company 1 January – 31 March 2012	Group 1 January – 31 March 2011	Company 1 January – 31 March 2011
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Net Profit	**16,613**	**15,239**	**32,429**	**31,622**
Adjustments for non-cash items and other adjustments:				
Depreciation and amortisation expenses	21,027	17,443	19,329	19,133
Revaluation and provisions for emission allowances	2,116	2,116	3,263	3,263
Other impairments/(reversal)	5,849	5,849	(7,911)	(7,905)
Share of (profit) of associates and joint ventures	(159)	-	(341)	-
Income tax expenses	4,332	4,008	7,997	7,597
Change in deferred income tax liability	(1,270)	(1,111)	264	265
(Income) from grants	(2,930)	(2,930)	(2,940)	(2,940)
Increase (decrease) in other provisions	(20,666)	(20,666)	16,780	16,780
Effect of changes in foreign exchange rates, net				
- Interest (income)	(94)	(93)	(351)	(396)
- Interest expense	787	786	2,123	1,852
- Other finance (income) costs	71	30	-	-
Changes in working capital				
(Increase) decrease in trade receivables and other amounts receivable	(6,357)	9,075	41,569	41,580
(Increase) decrease in inventories and prepayments	38,521	39,869	15,443	14,307
Increase (decrease) in accounts payable and advance amounts received	17,610	17,795	(29,017)	(74,779)
Cash flows generated from operations				
Income tax (paid)	(330)	-	(1,500)	(1,500)
Net cash generated from operating activities	**75,120**	**87,410**	**97,137**	**48,879**
Cash flows from investing activities				
(Purchase) of property, plant and equipment (PPE) and intangible assets	(24,740)	(23,776)	(143,782)	(103,052)
Loans repaid	-	(3,000)	-	-
Disposal of property, plant and equipment and intangible assets	-	-	38,948	38,948
Interest received	93	93	110	110
Net cash used in investing activities	**(24,647)**	**(26,683)**	**(104,724)**	**(63,994)**
Cash flows from financing activities				
Proceeds from borrowings	-	-	120,179	117,061
Repayments of borrowings	(16,563)	(16,563)	(29,245)	(16,550)
Finance lease payments	(151)	-	(84)	0
Interest (paid)	(4,900)	(4,812)	(726)	(674)
Dividends (paid)	-	-	(2)	(2)
Net cash generated from/(used in) financing activities	**(21,614)**	**(21,375)**	**90,122**	**99,835**
Net increase (decrease) in cash and cash equivalents	**28,859**	**39,352**	**82,535**	**84,720**
Cash and cash equivalents at the beginning of the period	**21,350**	**2,893**	**86,925**	**70,387**
Cash and cash equivalents at the end of the period	**50,209**	**42,245**	**169,460**	**155,107**

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

1 General information

Lietuvos Energija AB is a public limited liability company registered in the Republic of Lithuania. Lietuvos Energija AB (hereinafter referred to as the "Company") is a limited liability profit-making entity, registered with the Register of Legal Entities managed by a public institution Centre of Registers. The Company's registration date is 21 July 2011, company code 302648707, VAT payer's code LT100006256115. The Company has been established for an unlimited period. The address of the Company's registered office is Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania.

Lietuvos Energija AB was established as a result of implementation of the National Energy Strategy, as a result of reorganisation by way of merger of the following two public companies: Lietuvos Energija AB, company code 220551550, including its branch offices Kruonis Pumped Storage Power Plant, Kaunas Hydro Power Plant, and Lietuvos Elektrinė AB, company code 110870933.

Lietuvos Energija AB and Lietuvos Elektrinė AB were reorganised by way of merger pursuant to paragraph 4 of Article 2.97 of the Lithuanian Civil Code by merging the companies under reorganisation, which ceased their activities as legal entities after the reorganisation, into new company Lietuvos Energija AB, which continues the activities of the reorganised companies after the reorganisation and to which all assets, rights and obligations of the companies under reorganisation were transferred, i.e. a new legal entity Lietuvos Energija AB was formed which continues its activities on the basis of companies which ceased their activities.

The reorganisation was aimed at combining and optimising electricity generation capacities that are under the state's control by way of forming a single electricity generation block. As a result, electricity generation activities were singled out and concentrated in one company, electricity generation capacities were reorganised and centralised in order to ensure energetic independence of the Republic of Lithuania.

The authorised share capital of Lietuvos Energija AB amounts to LTL 635,083,615 and it is divided into 635,083,615 ordinary registered shares with par value of LTL 1 each. There were no changes in the Company's authorised share capital during 2011. All the shares issued are fully paid. With effect from 1 September 2011, the shares of Lietuvos Energija AB were included in the Main List of NASDAQ OMX Vilnius stock exchange. As at 31 December 2011, the Company had not acquired any own shares.

In 2011, the Company was engaged in electricity generation, electricity trading and export activities. In addition to these principal activities, the Company can be engaged in any other business activities not forbidden under the laws and stipulated in the Company's Articles of Association.

The Company has permits of unlimited validity to engage in electricity generation activities at the Lithuanian Power Plant, Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, as well as in electricity import and export activities. The Company also holds permits to expand electricity generation capacities at the Lithuanian Power Plant and Kruonis Pumped Storage Power Plant, and certificates entitling to engage in maintenance and operation of electric, thermal power, natural gas and oil facilities. On 29 July 2011, based on the decision of the National Control Commission for Prices and Energy, Lietuvos Energija AB obtained a licence of an independent electricity supplier. The Company's subsidiary Energijos Tiekimas UAB also holds a licence of an independent electricity supplier.

As of the date of these financial statements, the Company directly participated (had control or significant influence) in the management of the following companies: Kauno Energetikos Remontas UAB (Lithuania), Energijos Tiekimas UAB (Lithuania), Technologijų ir Inovacijų Centras UAB (Lithuania), Nordic Energy Link AS (Estonia), Geoterma UAB (Lithuania), NT Valdos UAB (Lithuania). Indirectly, the Company had the majority of votes in Gotlitas UAB (Lithuania) through Kauno Energetikos Remontas UAB, and the majority of votes in Data Logistics Center UAB (Lithuania) and VŠĮ Respublikinis Energetikų Mokymo Centras (Lithuania) through Technologijų ir Inovacijų Centras UAB, and exercised significant influence over Enmašas UAB (Lithuania).

The consolidated financial statements of Lietuvos Energija AB and its subsidiaries and the stand-alone financial statements of Lietuvos Energija AB as a parent company are presented in these financial statements.

1 General information (continued)

As at 31 March 2012, the Group consisted of Lietuvos Energija AB and the following directly and indirectly controlled subsidiaries:

Company	Address of the registered office	Shareholding of the Group at 31 March 2012	Share capital of the subsidiary at 31 March 2012	Profit for the period from 1 January to 31 March 2012	Equity at 31 March 2012	Principal activities
UAB „Kauno energetikos remontas"	Chemijos g. 17, Kaunas, Lietuva	100 proc.	14,245	202	21,906	Repair of energy equipment, production of metal structures
UAB „Gotlitas"	R.Kalantos g. 119, Kaunas, Lietuva	100 proc.	1,100	67	1,614	Accommodation services, trading activities
UAB "Energijos tiekimas"	Žvejų g. 14, Vilnius, Lietuva	100 proc.	750	(50)	9,792	Independent electricity supply
UAB "Technologijų ir inovacijų centras"	Juozapavičiaus g. 13, Vilnius, Lietuva	54.04 proc.	76,513	394	70,946	IT services
UAB "Data Logistics Center"	Juozapavičiaus g. 13, Vilnius, Lietuva	54.04 proc.	12,847	658	18,050	IT services
VŠĮ Respublikinis energetikų mokymo centras	Jeruzalės g. 21, Vilnius, Lietuva	54.04 proc.	294	11	(1,124)	Professional development of energy specialists and continual professional training

As at 31 March 2012, the number of employees of the Group was 1,182 (31 December 2011 - 1,179). As at 31 March 2012, the number of employees of the Company was 504 (31 December 2011 - 509).

2 *Accounting policies*

Presented below are the principal accounting policies adopted in the preparation of the Group's and the Company's financial statements for the period ended 31 March 2012.

2.1 Basis of preparation

The Company's and consolidated Group's condensed interim financial information for the three-month period ended 31 March 2012 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting'). This financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

2.2 Accounting policies

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

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

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

The Company/Group adopted this standard for the financial period beginning on 1 January 2011. The standard was applied retrospectively. The amended standard does not require government-related entities to disclose transactions and balances arising from these transactions, including off-balance sheet liabilities, conducted with the 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 these financial statements.

The following new or amended IFRS and IFRIC interpretations are effective in 2011 but not relevant to the Company and the Group:

Amendments to existing standards and interpretations adopted by the EU that are mandatory for annual reporting periods beginning on or after 1 January 2011 but not relevant to the Group/Company are as follows:

IFRIC 19, Extinguishing financial liabilities with equity instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

Classification of Rights Issues – Amendment to IAS 32 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7.

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). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 28, IAS 31, IAS 32, IAS 34, IAS 39 and IFRIC 13.

2.2 Accounting policies (continued)

Standards, interpretations and their amendments that are not yet effective and have not been early adopted by the Company and the Group

IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009) (effective for annual periods beginning on or after 1 January 2015; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets and liabilities.

IFRS 10, Consolidated financial statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU), 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 11, Joint arrangements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU), replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities—Non-Monetary Contributions by Ventures'.

IFRS 12, Disclosure of interest in other entities' (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU), 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 13, Fair value measurement (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRS.

IAS 27, Separate financial statements (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

IAS 28, Investments in associates and joint ventures (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The amendment of IAS 28 resulted from the Board's project on joint ventures.

Disclosures—transfers of financial assets – amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The amendment is not expected to have any impact on the Company's and the Group's financial statements.

Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012; not yet adopted by the EU), changes the disclosure of items presented in other comprehensive income.

Amendment to IAS 19, Employee benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013; not yet adopted by the EU), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

IFRIC 20, Stripping costs in the production phase of a surface mine (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, 'Inventories', to the extent that they are realised in the form of inventory produced.

Offsetting financial assets and financial liabilities - amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014; not yet adopted by the EU). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria.

2.2 Change in accounting policy (continued)

Disclosures—offsetting financial assets and financial liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

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 amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Not yet adopted by the EU.

Severe hyperinflation and removal of fixed dates for first-time adopters – amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The amendments will provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs, and guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. Not yet adopted by the EU.

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards - Government loans. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers (effective for annual periods beginning on or after 1 January 2013; not adopted by EU).

2.3 Consolidation

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

3 *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 areas where estimates are significant to these financial statements include fair value evaluation and depreciation of property, plant and equipment and investment property, evaluation of impairment for accounts receivable and investments, valuation of inventory at net realisable value, estimation of provisions for emission allowances, percentage of completion evaluation for repair service contracts and disclosure of contingent liabilities. Future events may cause the assumptions used in arriving at the estimates to change. The effect of such changes in the estimates will be recorded in the financial statements when determined.

Tax audits

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

Depreciation rates of property, plant and equipment

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.

Revaluation of property, plant and equipment

On 31 December 2011 an independent property valuer Census Optimus UAB carried out a valuation of market value of the Company's assets stated at revalued amount. The valuation was performed using the replacement cost method.

On 31 December 2011, revaluation was carried out for property, plant and equipment of the Company's subsidiary Kauno Energetikos Remontas UAB. Property, plant and equipment were revaluated on 31 December 2011 based on the report submitted by an independent property valuer Latmas Nekilnojamasis Turtas UAB on changes in the fair values of immovable property in Lithuania by region. This report was based on observable market evidence on prices of immovable property.

In October 2010, independent property valuers carried out the revaluation of non-current assets which were transferred as in-kind contribution to the share capital of subsidiaries and associates. Considering the date of the last revaluation of these assets and the periods of their acquisition, in the opinion of management, the fair value of the Group's property, plant and equipment stated at revalued amount and not revaluated in 2011 did not significantly differ from its carrying amount as at 31 December 2011.

Impairment of property, plant and equipment

The Group and the Company make an assessment, at least annually, whether there are any indications that the carrying amount of property, plant and equipment has been impaired. If that is the case, the Group and the Company make an impairment test in accordance with the accounting policy set out in Note 2.

In 2012 and 2011, the Group and the Company accounted for property, plant and equipment (except for assets of the Hydro Power Plant, Pumped Storage Power Plant and Thermal Power Plant) at fair value in accordance with International Accounting Standard No.16 'Property, plant and equipment'.

If the value of assets is measured based on a depreciated replacement cost method, International Valuation Standards require that an adequate profitability test should be performed. Accounting standards require a periodical review of property, plant and equipment for impairment. When the carrying amount of property, plant and equipment reported in the statement of financial position is higher than its value in use or fair value, less costs to sell, the value of property, plant and equipment should be reduced. In other words, the value of property, plant and equipment recorded in the statement of financial position should be written down to the higher of the two indicators: value of future benefits of assets expected from their use or value of proceeds expected to be received from immediate disposal of assets.

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

According to the Amendment to the Law effective from 1 June 2009, the price caps for electricity transmission, distribution and public supply services are to be determined based on the value of assets used in the licensed activities of the service provider established and approved by the National Control Commission for Prices and Energy (the Commission) in accordance with the Procedure for the determination of the value of assets used in the licensed activities of the service provider drafted by the Commission and approved by the Government.

3 Critical accounting estimates and uncertainties (continued)

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

In the opinion of management, the aforementioned amendments to regulatory legislation may have a significant negative impact on the fair value of property, plant and equipment. Due to the reasons specified above, the values of property, plant and equipment reported in these financial statements may significantly differ from those that would be determined if the valuation of assets were performed by external independent valuers as required by International Valuation and Accounting Standards. It is probable that such valuation would have a negative impact on the results of the Group's and the Company's operations and on the shareholders' equity reported in the financial statements for the year 2009.

Valuation of fair values of property, plant and equipment as at 31 December 2009 was not performed by independent valuers, as the above-mentioned amendments to regulatory legislation came into force only on 1 January 2010 and the impact of these amendments on the Group's and the Company's ability to earn income in future periods could not be reliably estimated. For more information on revaluation of property, plant and equipment performed by the Group and the Company, see paragraph 'Revaluation of property, plant and equipment' and Note 5.

In 2011 the management of the Company did not identified the impairment indicators for property, plant and equipment of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant. As at 31 December 2010, impairment of property, plant and equipment of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant was assessed using the discounted cash flow method. The assessment took into account the expected production volumes, income and expenses that will be incurred to earn income over the entire estimated useful life of assets. The assessment included assumptions that production volumes, income and profit of both power plants will increase or remain stable; the electricity purchase and sale prices were established with reference to long-term price forecasts. A discount rate of 10.06 per cent was used. As the values in use established with respect to Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant were higher than the carrying amounts of respective items of property, plant and equipment, no impairment was recognised.

As at 31 December 2011 and 2010, the Company did not assess impairment in respect of property, plant and equipment of Thermal Power Station and believes that adjustment for impairment may be necessary as soon as uncertainties are resolved in relation to electricity tariffs, changes therein, regulated profitability and production volumes. According to the currently effective Description of PSO Services, the producers of electricity receive PSO service fees based on electricity actually produced per year.

<u>Impairment of investments in subsidiaries (in the Company)</u>

The subsidiary's Board resolved to reduce its authorised share capital by covering the accumulated loss for previous periods.The reduced share capital was registered on 27 December 2011. The subsidiary started generating profits, therefore, management of Lietuvos Energija AB believed there was no further impairment of investment in 2011 and resolved not to account for any additional impairment for Kauno Energetikos Remontas UAB. No additional impairment was recognised in respect of Kauno Energetikos Remontas UAB as at 31 December 2011.

<u>Write-down of inventory to net realisable value</u>

Write-down of inventory to the net realisable value was determined based on the management's estimates on inventory obsolescence and estimated possible selling prices. This determination requires significant judgement. Judgement is exercised based on historical and future usage of spare parts and materials as well as estimated possible selling price and other factors.

<u>Provisions for emission allowances</u>

The Group/Company estimates the provisions for emission allowances based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance. The actual quantity of emission is approved by the responsible regulating state authority within 4 months after the year-end Based on historical experience, the management of the Group does not expect any material differences between the amount of estimated provisions as at 31 March 2012 and emission quantities which will be approved in 2013.

4 *Intangible assets*

The structure of the Group's intangible assets as at 31 March 2012 and 31 December 2011 is as follows:

Group	Patents and licenses	Computer software	Emission rights	Other intangible assets	Total
Period ended 31 March 2011					
Opening net book amount	11	82	37,811	7	37,911
Additions	-	276	26,701	-	26,977
Disposals	-	-	(38,948)	-	(38,948)
Amortisation charge	(3)	(18)	-	-	(21)
Revaluation	-	-	8,885	-	8,885
Net book amount at 31 March 2011	**8**	**340**	**34,449**	**7**	**34,804**
At 31 March 2011					
Cost	36	1,715	34,449	31	36,231
Accumulated amortisation	(28)	(1,375)	-	(24)	(1,427)
Net book amount at 31 March 2011	**8**	**340**	**34,449**	**7**	**34,804**
At 31 December 2011					
Cost	1,489	5,880	35,457	163	42,989
Accumulated amortisation	(397)	(2,827)	-	(30)	(3,254)
Net book amount at 31 December 2011	**1,092**	**3,053**	**35,457**	**133**	**39,735**
Period ended 31 March 2012					
Opening net book amount	1,092	3,053	35,457	133	39,735
Additions	274	-	-	35	309
Grants received	-	-	14,832	-	14,832
Transfers from property, plant and equipment	148	-	-	-	148
Disposals	-	-	(16,268)	-	(16,268)
Amortisation charge	(228)	(271)	-	-	(499)
Revaluation	-	-	(1,331)	-	(1,331)
Net book amount at 31 March 2012	**1,286**	**2,782**	**32,690**	**168**	**36,926**
At 31 March 2012					
Cost	1,911	5,880	32,690	198	40,679
Accumulated amortisation	(625)	(3,098)	-	(30)	(3,753)
Net book amount at 31 March 2012	**1,286**	**2,782**	**32,690**	**168**	**36,926**

4 Intangible assets (continued)

The structure of the Company's intangible assets as at 31 March 2012 and 31 December 2011 is as follows:

Company	Patents and licenses	Emmision rights	Other intangible assets	Total
Period ended 31 March 2011				
Opening net book amount	-	37,811	-	37,811
Additions	-	26,701	-	26,701
Amortisation charge	-	(38,948)	-	(38,948)
Revaluation	-	8,885	-	8,885
Net book amount at 31 March 2011	**-**	**34,449**	**-**	**34,449**
At 31 March 2011				
Cost	1,280	34,449	-	35,729
Accumulated amortisation	(1,280)	-	-	(1,280)
Net book amount at 31 March 2011	**-**	**34,449**	**-**	**34,449**
At 31 December 2011				
Cost	2,358	35,457	-	37,815
Accumulated amortisation	(1,470)	-	-	(1,470)
Net book amount at 31 December 2011	**888**	**35,457**	**-**	**36,345**
Period ended 31 March 2011				
Opening net book amount	887	35,457	-	36,344
Additions	-	-	5	5
Grants received	-	14,832	-	14,832
Writte-offs	-	(16,268)	-	(16,268)
Amortisation charge	(88)	-	-	(88)
Revaluation	-	(1,331)	-	(1,331)
Net book amount at 31 March 2012	**799**	**32,690**	**5**	**33,494**
At 31 March 2012				
Cost	2,357	32,690	5	35,047
Accumulated amortisation	(1,558)	-	-	(1,558)
Net book amount at 31 March 2012	**799**	**32,690**	**5**	**33,494**

5 *Property, plant, and equipment*

The structure of the Group's property, plant and equipment as at 31 March 2012 and 31 December 2011 is as follows:

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
Period ended 31 March 2011									
Opening net book amount	5,867	10,443	11,488	560,084	1,372,371	1,330	12,567	902,819	2,876,969
Additions	-	-	261	-	568	-	22	140,132	140,983
Write-offs	-	-	-	-	-	-	(20)	-	(20)
Reclassifications between groups	-	-	1,060	-	-	-	1,048	(2,108)	-
Transferred to intangible assets	-	-	-	-	-	-	(157)	-	(157)
Depreciation charge	-	(91)	(445)	(6,879)	(11,849)	(100)	(378)	-	(19,742)
Net book amount at 31 March 2011	**5,867**	**10,352**	**12,364**	**553,205**	**1,361,090**	**1,230**	**13,082**	**1,040,843**	**2,998,033**
At 31 March 2011									
Cost or revaluated amount	5,867	23,748	259,066	697,252	1,922,387	6,437	48,948	1,040,843	4,004,548
Accumulated depreciation	-	(8,090)	(242,689)	(143,278)	(484,146)	(5,176)	(35,138)	-	(918,517)
Accumulated impairment	-	(5,306)	(4,013)	(769)	(77,151)	(31)	(728)	-	(87,998)
Net book amount at 31 March 2011	**5,867**	**10,352**	**12,364**	**553,205**	**1,361,090**	**1,230**	**13,082**	**1,040,843**	**2,998,033**

5 *Property, plant and equipment (continued)*

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
Net book amount at 31 December 2011									
Cost or revaluated amount	5,737	18,221	32,885	701,763	1,918,800	5,540	66,315	1,167,520	3,916,781
Accumulated depreciation	-	(974)	(4,049)	(163,674)	(510,982)	(4,471)	(38,167)	-	(722,317)
Accumulated impairment	-	(151)	(1,224)	(769)	(77,151)	(31)	(728)	-	(80,054)
Net book amount at 31 December 2011	**5,737**	**17,096**	**27,612**	**537,320**	**1,330,667**	**1,038**	**27,420**	**1,167,520**	**3,114,410**
Period ended 31 March 2012									
Opening net book amount	5,737	17,096	27,612	537,320	1,330,667	1,038	27,420	1,167,520	3,114,410
Additions	-	-	68	18	11	24	566	48,550	49,237
Disposals	-	-	-	-	-	-	(1)	-	(1)
Reclassifications between groups	-	-	-	-	-	-	35	(35)	-
Transferred to intangible assets	-	-	-	-	-	-	(148)	-	(148)
Reclassification from inventories	-	-	-	-	-	-	36	-	36
Depreciation charge	-	(176)	(935)	(6,889)	(10,181)	(114)	(2,233)	-	(20,528)
Net book amount at 31 March 2012	**5,737**	**16,920**	**26,745**	**530,449**	**1,320,497**	**948**	**25,675**	**1,216,035**	**3,143,006**
At 31 March 2012									
Cost or revaluated amount	5,737	18,221	32,953	701,781	1,918,811	5,564	66,803	1,216,035	3,965,905
Accumulated depreciation	-	(1,150)	(4,984)	(170,563)	(521,163)	(4,585)	(40,400)	-	(742,845)
Accumulated impairment	-	(151)	(1,224)	(769)	(77,151)	(31)	(728)	-	(80,054)
Net book amount at 31 March 2012	**5,737**	**16,920**	**26,745**	**530,449**	**1,320,497**	**948**	**25,675**	**1,216,035**	**3,143,006**

5 *Property, plant and equipment (continued)*

The structure of the Company's property, plant and equipment as at 31 March 2012 and 31 December 2011 is as follows:

Company	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
Net book amount at 31 March 2011									
Opening net book amount	5,867	264	10,474	560,298	1,372,371	667	416	902,986	2,853,343
Additions	-	-	-	-	568	-	-	139,781	140,349
Depreciation charge	-	(1)	(187)	(6,879)	(11,849)	(52)	(143)	-	(19,111)
Period ended 31 March 2011	**5,867**	**263**	**10,287**	**553,419**	**1,361,090**	**615**	**273**	**1,042,767**	**2,974,581**
At 31 March 2011									
Cost or revaluated amount	5,867	415	11,698	697,466	1,922,387	5,238	34,515	1,042,767	3,720,353
Accumulated depreciation	-	(1)	(187)	(143,278)	(484,146)	(4,592)	(33,514)	-	(665,718)
Accumulated impairment	-	(151)	(1,224)	(769)	(77,151)	(31)	(728)	-	(80,054)
Net book amount at 31 March 2011	**5,867**	**263**	**10,287**	**553,419**	**1,361,090**	**615**	**273**	**1,042,767**	**2,974,581**

5 *Property, plant and equipment (continued)*

Company	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
Net book amount at 31 December 2011									
Cost or revaluated amount	5,737	1,594	13,123	701,763	1,918,800	4,193	28,718	1,167,417	3,841,345
Accumulated depreciation	-	(5)	(746)	(163,674)	(510,982)	(3,819)	(27,818)	-	(707,044)
Accumulated impairment	-	(151)	(1,224)	(769)	(77,151)	(31)	(728)	-	(80,054)
Net book amount at 31 December 2011	**5,737**	**1,438**	**11,153**	**537,320**	**1,330,667**	**343**	**172**	**1,167,417**	**3,054,247**
Period ended 31 March 2012									
Opening net book amount	5,737	1,438	11,153	537,320	1,330,667	343	172	1,167,417	3,054,247
Additions	-	-	-	18	11	24	-	48,524	48,577
Depreciation charge	-	(57)	(190)	(6,889)	(10,181)	(30)	(8)	-	(17,355)
Net book amount at 31 March 2012	**5,737**	**1,381**	**10,963**	**530,449**	**1,320,497**	**337**	**164**	**1,215,941**	**3,085,469**
At 31 March 2012									
Cost or revaluated amount	5,737	1,594	13,123	701,781	1,918,811	4,217	28,718	1,215,941	3,889,922
Accumulated depreciation	-	(62)	(936)	(170,563)	(521,163)	(3,849)	(27,826)	-	(724,399)
Accumulated impairment	-	(151)	(1,224)	(769)	(77,151)	(31)	(728)	-	(80,054)
Net book amount at 31 March 2012	**5,737**	**1,381**	**10,963**	**530,449**	**1,320,497**	**337**	**164**	**1,215,941**	**3,085,469**

6 Share capital and share premium

As at 31 March 2012 and 31 December 2011, the share capital of the Company was LTL 635,083,615 and it was divided into 635,083,615 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The highest share price at the Stock Exchange session in 2012 was LTL 0,455 per share (2011: LTL 0,499), the lowest – LTL 0,379 per share (2011: LTL 0,33). The total number of shareholders as at 31 March 2012 was 6,536 (31 December 2011: 6,589).

The shareholders' structure of the Company is as follows:

	Share capital at 31 March 2012		Share capital at 31 December 2011	
Shareholders	**(LTL)**	**(%)**	**(LTL)**	**(%)**
Visagino Atominė Elektrinė UAB	610,515,515	96.13	610,515,515	96.13
Other shareholders	24,568,100	3.87	24,568,100	3.87
Total	**635,083,615**	**100.00**	**635,083,615**	**100.00**

Visagino Atominė Elektrinė UAB is wholly owned by the State of Lithuania represented by the Lithuanian Ministry of Energy.

7 Borrowings

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

Non-current borrowings	**Group at 31 March 2012**	**Company at 31 March 2012**	**Group at 31 December 2011**	**Company at 31 December 2011**
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD AB, Danske Bank A/S) in EUR, to be repaid by 3 June 2016	70,630	70,630	74,194	74,194
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	245,149	245,149	245,149	245,149
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD AB) in EUR, to be repaid by 9 November 2020	281,058	281,058	281,058	281,058
Loan from DnB NORD AB, in EUR, to be repaid by 1 May 2013	1,857	1,857	1,857	1,857
Total non-current borrowings	**598,694**	**598,694**	**602,258**	**602,258**
Current borrowings				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD AB) in EUR, to be repaid by 9 November 2020	15,441	15,441	15,441	15,441
Overdrafts	15,322	7,414	6,557	5,388
Loan from DnB NORD AB, in EUR, to be repaid by 1 May 2013	3,714	3,714	3,714	3,714
Loan from the European Bank for Reconstruction and Development, accrued interest	5,221	5,221	1,196	1,196
Credit line from Swedbank AB, maturity term – 1 March 2012	-	-	13,000	13,000
Total current borrowing	**39,698**	**31,790**	**39,908**	**38,739**

As at 31 March 2012, according to the above-mentioned agreements the balances of undrawn loans and overdrafts of the Group amounted to LTL 59,678 thousand, the balances of undrawn loans and overdrafts of the Company amounted to LTL 52,586 thousand.

8 *Grants*

The grants balance consists of grants related to the financing of assets acquisition. The movement in grants during the three-month period ended 31 March 2012 and 2011 is as follows:

	Assets-related grants			
Group/Company	**Fuel combustion equipment and other assets**	**Project for renovation, improvement of environmental and safety standards**	**Grants for emission allowances**	**Total**
Balance at 01 January 2011	**26,795**	**846,162**	**-**	**872,957**
Received a grant	586	723	26,701	28,010
Depreciation of property, plant and equipment	(533)	(2,407)	-	(2,940)
Utilised grant relating to emission rights	-	-	(4,467)	(4,467)
Balance at 01 March 2011	**26,848**	**844,478**	**22,234**	**893,560**
Balance at 01 January 2012	**93,853**	**914,716**	**-**	**1,008,569**
Received a grant	(57)	7,404	14,832	22,179
Depreciation of property, plant and equipment	(523)	(2,407)	-	(2,930)
Utilised grant relating to emission rights	-	-	(4,398)	(4,398)
Balance at 31 March 2012	**93,273**	**919,713**	**10,434**	**1,023,420**

During the three months of 2012, the Group's and the Company's grants relating to assets decreased by LTL 2,930 thousand (during the three months of 2011: by LTL 2,940 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income.

In 2012, the Company received a grant of LTL 7,404 thousand from the International Fund for Support of Decommissioning of Ignalina Nuclear Power Plant for the construction of a new unit of 400 MW combined cycle gas turbine, grant relating to emission rights of TLT 14,832 was received.

9 *Provisions for emission rights*

Provisions for emission rights were accounted for as follows:

	Group	**Company**
Balance at 31 December 2010	**67,282**	**67,282**
Provisions for pollution emitted*	3,710	3,710
Balance at 31 March 2011	**70,992**	**70,992**
Balance at 31 December 2011	**61,931**	**61,931**
Provisions for pollution emitted*	(16,268)	(16,268)
Emission rights utilised	5,201	5,201
Balance at 31 March 2012	**50,864**	**50,864**

*For the purpose of the statement of comprehensive income, expenses related to provisions for emission rights utilised are accounted for net of government grants utilised.

10 Pension liabilities

As at 31 March 2012 and 31 December 2011, pension liabilities amounted to as follows:

	Group at 31 March 2012	Company at 31 March 2012	Group at 31 December 2011	Company at 31 December 2011
Provisions for pension payments to employees	1,557	1,378	1,645	1,371
Total	**1,557**	**1,378**	**1,645**	**1,371**

11 Segment information

In 2012, the Management defined the activity segments according to the reports reviewed by the Board. The Board analyses activities with respect to the services provided. The profitability ratio analysed by the Board is the profit (loss) from activates.

On 31 March 2012 and 31 March 2011, the Board of the Group analysed activities of the company by dividing them into regulated activities and commercial activities. Regulated activities include the profit generated by Lietuvos elektrinė from heat and electricity production, balancing and regulation, capacity reservation, including the profit earned from the capacity reservation of Kruonis Pump Storage Plant. Commercial activities include the trade in electricity in the free market, export/import of electricity, production of electricity at Kruonis Hydro Power Plant and Kruonis Pump Storage Pump and other related balancing and regulating services. Administrative costs are distributed among regulated and commercial activities by using carriers. Electricity supply activities performed by Energijos Tiekimas, UAB constitute a separate segment. Other activities of the Group include repairs of energy equipment and IT services.

Trade between the companies of the Group is performed with market prices, except for electricity and related services, the prices of which are set by the National Control Commission for Prices.

The table below presents the Group's information on segments for the three-month period ended 31 March 2012.

2012	Electricity generation and trading (including electricity export/import)			Other activities	Total continuing operations
	Lietuvos energija, AB		Energijos Tiekimas, UAB		
	Regulated activities	Commercial activities			
Total segment revenue	142,463	133,433	87,516	28,711	392,123
Internal turnover among segments	-	-	(37,716)	(1,621)	(39,337)
Revenue from external sales	**142,463**	**133,433**	**49,800**	**27,090**	**352,786**
Expenses after elimination of turnover among the Group companies	**(137,724)**	**(119,351)**	**(49,927)**	**(25,556)**	**(332,558)**
Including depreciation and amortisation expenses	(10,573)	(4,443)	-	(3,582)	(18,598)
Operating profit	**4,739**	**14,082**	**(127)**	**1,534**	**20,229**
Finance income	65	305	96	(51)	414
Finance (costs)	(873)	(218)	(35)	(51)	(1,177)
Share of results of activities of associates and joint ventures				159	159
Profit before income tax	**3,930**	**14,169**	**(66)**	**1,591**	**19,624**
Income tax					**(3,011)**
Profit for the period					**16,613**

11 Segment information (continued)

The table below presents the Group's information on segments for the three-month period ended 31 March 2011.

2011	Electricity generation and trading (including electricity export/import)			Other activities	Total continuing operations
	Lietuvos energija, AB		Energijos Tiekimas, UAB		
	Regulated activities	Commercial activities			
Total segment revenue	101,110	215,019	39,354	8,200	363,682
Internal turnover among segments	-	-	(37,770)	(89)	(37,859)
Revenue from external sales	**101,110**	**215,019**	**1,584**	**8,111**	**325,823**
Expenses after elimination of turnover among the Group companies	**(88,441)**	**(186,747)**	**(381)**	**(8,133)**	**(283,702)**
including depreciation and amortisation expenses	(11,738)	(4,455)	-	(650)	(16,844)
Operating profit	**12,668**	**28,272**	**1,203**	**(22)**	**42,121**
Finance income	173	224	17	(63)	351
Finance (costs)	(1,829)	(24)	(42)	(228)	(2,123)
Share of results of activities of associates and joint ventures				341	341
Profit for the period from continuing operations	**11,012**	**28,472**	**1,178**	**28**	**40,690**
Discontinued operations					**(8,261)**
Profit for the period					**32,429**

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

The Group's revenue received from one external client during the three-month 31 March 2012 amounted to LTL 114,755 thousand (during the three-month 31 March 2011: LTL 154,661 thousand).

12 Related-party transactions

Purchase and sale of goods and services:

The Group's transactions with related parties during the period of January to March 2012 and the balances arising on these transactions as at 31 March 2012 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Disposals
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	13,745	90,837	138,186	268,730
Visagino Atominė Elektrinė UAB	-	69	-	178
Associates of the Group	1,279	276	1,722	697
Total	**15,024**	**91,182**	**139,908**	**269,605**

The Company's transactions with related parties during the period of January to March 2012 and the balances arising on these transactions as at 31 March 2012 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Disposals
Subsidiaries of the Company	3,996	23,180	3,818	33,813
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	7,353	77,590	83,182	254,250
Visagino Atominė Elektrinė UAB	-	-	-	-
Associates of the Company	228	9	263	7
Total	**11,577**	**100,779**	**87,263**	**288,070**

The Group's transactions with related parties during the period of January to March 2011 and the balances arising on these transactions as at 31 March 2012 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Disposals
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	1,151	16,293	362	39,060
Visagino Atominė Elektrinė UAB	-	-	-	-
Associates of the Group	557	145	1,321	616
Total	**1,708**	**16,438**	**1,683**	**39,676**

12 Related-party transactions (continued)

The Company's transactions with related parties during the period of January to March 2011 and the balances arising on these transactions as at 31 March 2012 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Disposals
Subsidiaries of the Company	673	14,134	7	37,804
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	8,866	91,875	125,104	284,590
Visagino Atominė Elektrinė UAB	-	-	-	-
Associates of the Company	66	-	147	-
Total	**9,605**	**106,009**	**125,258**	**322,394**

The major related-party sale and purchase transactions in 2012 ir 2011 represented transactions with the entities controlled by the Ministry of Energy of the Republic of Lithuania: AB „Lietuvos elektrinė", LITGRID, AB, AB LESTO The Group's purchases from these entities mainly included purchases of electricity, capacity, and PSO services. Sales transactions mainly included sales of electricity, capacity, electricity transmission services and PSO services.

Transactions with state entities other than those controlled by the Ministry of Energy included regular business transactions and therefore they are not disclosed.

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

Payments to key management personnel

	Group 1 January – 31 March 2012	Company 1 January – 31 March 2012	Group 1 January – 31 March 2011	Company 1 January – 31 March 2011
Employment-related payments	1,096	366	731	439
Termination benefits	69	-	220	149
Number of key management personnel	29	11	21	10

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

13 Commitments and contingencies

Guarantees issued and received

In 2005, the Company/Group guaranteed, under the guarantee agreements, the fulfilment of 25 per cent of Nordic Energy Link's AS liabilities to Nordic Investment Bank (LTL 45,750 thousand) and to SEB Eesti Uhispank AB (LTL 26,759 thousand). The guarantees shall expire after a full repayment of the loans by the associate to the respective banks, i.e. on 15 March 2014 and 15 September 2014, respectively. The Group/Company accounted for these guarantees at fair value. The carrying amount of the guarantee obligations amounted to LTL 472 thousand as at 31 March 2012 (31 December 2011: LTL 718 thousand). The Group/Company has not accounted for any additional provisions related to these guarantees, since management expects that the associate will fulfil its liabilities to the banks.

Under the agreements signed the Group's commitments to acquire and construct tangible fixed assets amounted to LTL 66,000 thousand as at 31 March 2012 (31 December 2011: LTL 115,000 thousand).

14 Events subsequent to the end of the reporting period

On 30 April 2012, an ordinary general shareholders' meeting took place. In the course of the meeting it was decided to approve the financial statement of Lietuvos energija, AB audited by UAB "PricewaterhouseCoopers" and the consolidated financial statement of Lietuvos energija, AB and its subsidiaries for the financial year ended 31 December 2011 and the distribution of the profit of Lietuvos energija, AB for the year ended 31 December 2011.

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