LITGRID

To Lithuanian Securities Commission
Konstitucijos ave. 23
LT-08105 Vilnius

2011 02 28 Nr. SD-636

CONFIRMATION OF RESPONSIBLE PERSONS

Referring to the provisions of the Article 22 of the Law on Securities of the Republic of Lithuania and the Rules for the Drawing up and Submission of the Periodic and Additional Information of the Securities Commission of the Republic of Lithuania, we, the undersigned Virgilijus Poderys, CEO of LITGRID turtas AB, Remigijus Vainius, Director of Finance and Law Department of LITGRID turtas AB and Tatjana Didikienė, Chief Financier of LITGRID turtas AB, hereby confirm that, to the best of our knowledge, the unaudited interim consolidated financial statements for the period ended 31 December 2010 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the LITGRID turtas AB and consolidated group assets, liabilities, financial position and profit for the relevant period.

Virgilijus Poderys	CEO
Remigijus Vainius	Director of Finance and Law Department
Tatjana Didikienė	Chief Financier

LITGRID TURTAS AB

CONSOLIDATED AND COMPANY'S
INTERIM FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD
ENDED 31 DECEMBER 2010
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION
(UNAUDITED)

LITGRID

LITGRID turtas AB
Company ode 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

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These financial statements have been prepared in Lithuanian and in English. In all matters of interpretation of information, views or opinions, the Lithuanian version takes precedence over the English version.

The financial statements were approved on 28 February 2011.

Virgilijus Poderys General Manager	Remigijus Vainius Director of Finance and Law Department	Tatjana Didikienė Chief financier

LITGRID

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010 (UNAUDITED)
All amounts in LTL thousand, unless otherwise stated

ASSETS	Note	Group As at 31 December 2010	Company As at 31 December 2010	Group As at 31 December 2009	Company As at 31 December 2009
Non-current assets:					
Intangible assets	4	1,750	515	-	-
Property, plant and equipment	5	2,063,451	2,051,554	-	-
Prepayments for property, plant, equipment		698	698	-	-
Investment property	6	668	1,583	-	-
Investments in subsidiaries		-	18,038	-	-
Investments in associates and joint ventures		20,323	19,032	-	-
Other financial assets		1,084	910	-	-
Total non-current assets		**2,087,974**	**2,092,330**	**-**	**-**
Current assets:					
Inventories		3,703	1,750	-	-
Prepayments		805	57	-	-
Trade receivables	7	139,485	13,424	-	-
Other accounts receivable	8	10,437	1,639	-	-
Term deposits		43,000	-	-	-
Cash and cash equivalents		75,664	42,161	-	-
Total current assets		**273,094**	**59,031**	**-**	**-**
TOTAL ASSETS		**2,361,068**	**2,151,361**	**-**	**-**

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010 (UNAUDITED)
All amounts in LTL thousand, unless otherwise stated

EQUITY AND LIABILITIES	Note	Group As at 30 December 2010	Company As at 30 December 2010	Group As at 31 December 2010	Company As at 31 December 2010
Capital and reserves :					
Share capital		504,331	504,331	-	-
Share premium		29,621	29,621	-	-
Revaluation reserve		296,353	296,353	-	-
Legal reserve		47,730	47,665	-	-
Other reserves		18	-	-	-
Retained earnings (deficit)		1,047,438	982,423	-	-
Equity attributable to the shareholders of the parent company		**1,925,491**	**1,860,393**	-	-
Minority interest		3,359		-	-
Total equity		**1,928,850**	**1,860,393**	-	-
Non-current liabilities :					
Grants		42,349	42,349	-	-
Deferred income		15,417	15,417	-	-
Other non-current accounts payable and liabilities		14,005	13,780	-	-
Deferred income tax liabilities		193,301	193,627	-	-
Total non-current liabilities		**265,072**	**265,173**	-	-
Current liabilities :					
Trade payables	9	134,330	22,548	-	-
Advance amounts received		11,298	1,724	-	-
Income tax payable		12,831	321	-	-
Other accounts payable and liabilities	10	8,687	1,202	-	-
Total current liabilities		**167,146**	**25,795**	-	-
Total liabilities		**432,218**	**290,968**	-	-
TOTAL EQUITY AND LIABILITIES		**2,361,068**	**2,151,361**	-	-

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)
All amounts in LTL thousand, unless otherwise stated

	Notes	Group 2010	Company 2010	Group 2009	Company 2009
Revenue					
Sales revenue		90,472	11,154	-	-
Other operating income		6,969	290	-	-
		97,441	**11,444**	-	-
Operating expenses					
Purchase of electricity or related services		(49,837)	-	-	-
Purchase of capacity reserve		(13,065)	-	-	-
Depreciation and amortisation		(11,007)	(10,792)	-	-
Repair and maintenance expenses		(5,266)	(2,143)	-	-
Wages and related expenses		(3,913)	(797)	-	-
Transit expenses		(1,881)	-	-	-
Lease of transmission network		(27)	-	-	-
Other expenses		(9,191)	(7,334)	-	-
Total operating expenses		**(94,187)**	**(21,066)**	-	
OPERATING PROFIT (LOSS)		**3,254**	**(9,622)**	-	-
Finance income		97	-	-	-
Finance (costs):					
(Increase) decrease in value of investments, share of results of activities of associates and joint ventures		(204)	-	-	-
Other finance (costs)		(7)	-	-	-
		(114)	-	-	-
PROFIT (LOSS) BEFORE INCOME TAX		**3,140**	**(9,622)**	-	-
Current year income tax expense		(2,454)	(322)	-	-
Deferred tax income (expense)		1,979	1,741	-	-
		(475)	1,419	-	-
PROFIT (LOSS) FOR THE YEAR		**2,665**	**(8,203)**	-	-
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		2,617	(8,203)	-	-
Minority interest		48	-	-	-
		2,665	**(8,203)**	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		2,617	(8,203)	-	-
Minority interest		48	-	-	-
		2,665	**(8,203)**	-	-

Total comprehensive income of LITGRID AB Group is attributed to the LITGRID turtas AB Group from the 1st of December, when the control of subsidiaries was transferred to the Company. Annual total profit of LITGRID AB Group is included in retained earnings of the LITGRID turtas AB Group.

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)
All amounts in LTL thousand, unless otherwise stated

Group	Note	Equity attributable to the shareholders of the parent company								
		Share capital	Share premium	Revaluation reserve	Legal rezerve	Other rezerves	Retained earnings (deficit)	Total equity	Minority interest	Total equity
Balance at 31 December 2010		-	-	-	-	-	-	-	-	-
Equity, attributed to the Company during the Spin-Off		504,331	29,621	299,582	47,730	18	1,041,544	1,922,826	3,311	1,926,137
Minority interest		-	-	-	-	-	-	-	48	48
Depreciation of revaluation reserve and Write-offs		-	-	(3,229)	-	-	3,229	-	-	-
Comprehensive income		-	-	-	-	-	2,665	2,665	-	2,665
Balance at 31 December 2010		**504,331**	**29,621**	**296,353**	**47,730**	**18**	**1,047,438**	**1,925,491**	**3,359**	**1,928,850**

Company	Note	Share capital	Share premium	Revaluation reserve	Legal rezerve	Other rezerves	Retained earnings (deficit)	Total equity
Balance at 31 December 2010		-	-	-	-	-	-	-
Equity, attributed to the Company during the Spin-Off		504,331	29,621	299,582	47,665	-	987,397	1,868,596
Depreciation of revaluation reserve and Write-offs		-	-	(3,229)	-	-	3,229	-
Comprehensive income		-	-	-	-	-	(8,203)	(8,203)
Balance at 31 December 2010		**504,331**	**29,621**	**296,353**	**47,665**	**-**	**982,423**	**1,860,393**

The accompanying notes are an integral part of these financial statements.

LITGRID

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)
All amounts in LTL thousand, unless otherwise stated

	Note	Group 2010	Company 2010	Group 2009	Company 2009
Cash flow from operating activities					
Net profit (loss)		2,665	(8,203)	-	-
Reversal of non-cash expenses (income) and other adjustments					
Depreciation and amortisation expense		11,164	10,949	-	-
Loss on revaluation of property, plant and equipment		(15)	-	-	-
Share of loss of associates and joint ventures		1,009	-		
Income tax expense		2,454	321	-	-
Change in deferred income tax liability		(1,979)	(1,741)	-	-
(Income) from grants and connection of new users		(158)	(158)	-	-
Elimination of results of financing and investing activity:					
- Interest (income)		(97)	-	-	-
- Interest expense		7	-	-	-
Changes in working capital					
(Increase) decrease in trade receivables and other accounts receivable		(149,922)	(15,063)	-	-
(Increase) decrease in inventories and prepayments		(5,206)	(2,505)	-	-
Increase (decrease) in accounts payable and advance amounts received		431,901	292,546	-	-
Net cash generated from operating activities		**291,823**	**276,146**	**-**	**-**
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets		(2,077,192)	(2,064,601)	-	-
Interest received		97	-	-	-
Term deposits		(43,000)	-	-	-
Acquisition of subsidiary		(21,332)	(37,070)	-	-
Acquisition of available-for-sale financial assets		(910)	(910)	-	-
Net cash used in investing activities		**(2,142,337)**	**(2,102,581)**	**-**	**-**
Cash flows from financing activities					
Proceeds from issuance of shares		1,926,185	1,868,596	-	-
Interest (paid)		(7)	-	-	-
Net cash generated from (used in) financing activities		**1,926,178**	**1,868,596**	**-**	**-**
Net increase (decrease) in cash flows		**75,664**	**42,161**	**-**	**-**
Cash and cash equivalents at the beginning of the period		**-**	**-**	**-**	**-**
Cash and cash equivalents at the end of the period		**75,664**	**42,161**	**-**	**-**

The accompanying notes are an integral part of these financial statements.

1. General information

LITGRID Turtas AB is a public stock company registered in the Republic of Lithuania. Its registered address is at A. Juozapavičiaus g. 13, LT-09311 Vilnius, Lithuania. LITGRID Turtas AB (further - the Enterprise or the Company) is a limited liability profit-seeking economic entity on 16 November 2010 registered with the Register of Legal Entities kept by the State Enterprise Centre of Registers. Company code 302564383, VAT code LT100005748413. The Company is established for an indefinite period of time.

Implementing the decision of the Extraordinary General Meeting of Lietuvos Energija AB dated 28 October 2010, which approved the spin-off of Lietuvos Energija AB, on 16 November 2010 a revised version of Articles of Association of Lietuvos Energija AB was registered with the Register of Legal Entities as well as the company LITGRID Turtas AB, which was established on the basis of the part divided off Lietuvos Energija AB. After the division, Lietuvos Energija AB will continue its operation and LITGRID Turtas AB will perform the activities transferred to it.

Purposes of the Company are the management, use and disposal of electricity transmission system assets and its appurtenances, the management of enterprises fulfilling the functions and carrying out the activities of electricity transmission system and market operator, and the management of enterprises owning electricity interconnections with other countries or those that they develop, manage, use or dispose them.

Division of Lietuvos Energija AB was carried out by a way as stipulated in paragraph 1 of Article 71 of the Republic of Lithuania Law on Companies – when a part of the continuing company is divided off and one or more new companies of the same legal form may be formed on the basis of the assets, rights and duties assigned to this part of the company, i.e. the division was carried by spinning off a part of the Company's business as a whole of assets, rights and duties, which from organisational point of view makes an autonomous economic entity engaged in activities and capable of executing its functions in its sole discretion, which is the basis for a newly established company LITGRID Turtas AB.

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

On 15 December 2010 Lietuvos Energija AB and LITGRID Turtas AB concluded an act supplementing the transfer - acceptance act signed on 1 December 2010 and approved the final spin-off balance sheet of Lietuvos Energija AB and the Company as at 24:00 o'clock of 30 November 2010. Following this act the Company took over the remaining portion of assets, rights and duties of Lietuvos Energija AB relating to the spun-off part and completed the division process of Lietuvos Energija AB.

The Company's (Group) information is presented for the period from the date of establishment of the Company (obtaining control of the Group) to the 31th of December 2010.

On 31 December 2010, the authorized capital of the Company amounted to LTL 504,331,380 and was divided into 504,331,380 units of ordinary registered shares with nominal value of each amounting to LTL 1. All shares are fully paid.

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

The ultimate parent company of UAB „Visagino atominė elektrinė" is the Ministry of Energy

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

On the date these financial statements were made up the Enterprise was directly involved in (controlled or had a significant influence on) the management of the following enterprises: LITGRID AB (LITHUANIA), UAB "TETAS" (Lithuania). Indirectly, through LITGRID AB, the Company managed BALTPOOL UAB (Lithuania). Indirectly, through UAB "TETAS", the Company managed UAB "Energetikos Pajėgos" (Lithuania). The company also participated in jointly managed enterprise LitPol Link Sp.z.o.o (Poland) registered on 8 August 2008. The company also participated in associated companies UAB „Elektros tinklo paslaugos", UAB „Technologijų ir inovacjų centras" and NT Valdos, UAB.

The interim financial statements include consolidated financial statements of the Group and the separate financial statements of the Company. As at 31 December 2010, the Group consisted of LITGRID turtas AB and the following directly and indirectly controlled subsidiaries:

Company	**Address of the company's registered office**	**Shareholding of the Group as at 31 December 2010**	**Share capital of the subsidiary as at 31 December 2010**	**Profit (loss) for 2010**	**Equity as at 31 December 2010**	**Principal activities**
LITGRID AB	A. Juozapavičiaus g. 13, Vilnius	100 %	9,748	51,999	61,708	Activities related to the electricity transmission system operator
BaltPool UAB (controlled through LITGRID UAB)	A. Juozapavičiaus g. 13, Vilnius	100 %	318	237	544	Activities related to the electricity market operator
UAB "TETAS"	Senamiesčio g. 102B, Panevėžys	61 %	5,651	6	12,755	Transformer substation, distribution station design, construction, repair and maintenance services
UAB "Energetikos pajėgos" (controlled through UAB "TETAS")	T.Masiulio g. 16D, Kaunas	100 %	430	383	907	Designing of energy facilities

As at 31 December 2010 the Group included the following investments in associates and joint ventures:

Company	**Address of the company's registered office**	**Shareholding of the Group as at 31 December 2010**	**Share capital of the associated company as at 31 December 2010**	**Principal activities**
UAB Technologijų ir inovacijų centras	Žvejų g. 14, Vilnius	35 proc.	9,748	IT services
UAB "Elektros tinklo paslaugos"	Motorų g. 2, Vilnius	29 proc.	16,388	Power network and related equipment repair, maintenance and construction services
LitPol Link Sp.z.o.o	Wojciecha Gorskiego 900-033 Varšuva, Lenkijos Respublika	50 proc.	2,040	Designing of electricity transmission interconnection facilities

As at 31 December 2010, the number of employees of the Group was 618. As at 31 December 2010, the number of employees of the Company was 113. The employees were transferred to the Company during the Spin-Off on 30 November 2010.

2. Basis of preparation of financial information

These Interim financial statements for the period ended 31 December 2010 have been prepared in accordance with IAS 34 „Interim Financial Reporting".

3. Accounting policies

Consolidated and Company's interim financial statements for the twelve months period of 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Pronouncements adopted for the current accounting period by the Group:

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

The following new or amended IFRS and IFRIC interpretations are effective in 2010 but currently are not relevant to the Company and the Group:

IFRS 3, 'Business Combinations' (revised in January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

IAS 27, 'Consolidated and Separate Financial Statements' (revised in January 2008; effective for annual periods beginning on or after 1 July 2009).

Eligible Hedged Items – Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement' (effective with retrospective application for annual periods beginning on or after 1 July 2009).

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

Improvements to IFRSs (May 2008 and April 2009) In May 2008 and April 2009, IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the changes are effective for financial years beginning on or after 1 January 2010, unless stated otherwise.

IFRIC 12, 'Service Concession Arrangements' (effective for financial years beginning on or after 30 March 2009).

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

IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' (effective for annual periods beginning on or after 1 October 2009).

IFRIC 17, 'Distribution of Non-cash Assets to Owners' (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted).

IFRIC 18, 'Transfers of assets from customers' (effective prospectively to transfers of assets from customers received on or after 1 July 2009. IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted.)

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

3. Accounting policies (cont'd)

New or revised standards and interpretations that are mandatory for the Company's and Group's accounting periods beginning on or after 1 July 2010 or later periods and which the Group and Company have not early adopted

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

IFRS 9, 'Financial Instruments Part 1: Classification and Measurement', issued in November 2009 (effective for annual periods beginning on or after 01 January 2013; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

Classification of Rights Issues—Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning on or after 1 February 2010). These amendments will not have any impact on the Company's and the Group's financial statements.

Prepayments of a Minimum Funding Requirement—Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). These amendments will not have any impact on the Company's and the Group's financial statements.

IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). This interpretation will not have any impact on the Group's and Company's financial statements.

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; not yet adopted by the EU). These amendments will not have any impact on the Company's and the Group's financial statements

Amendments to IFRS 1, 'First-time Adoption of IFRS' – Additional exemptions for first-time adopters (effective for annual periods beginning on or after 1 January 2010; not adopted by the EU).

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

Property, plant and equipment

Assets with the useful life over one year is classified as property, plant and equipment.
Property, plant and equipment are accounted for at cost less accumulated depreciation and impairment.

Depreciation and amortisation

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

Property, plant and equipment and intangible assets	**Useful lives (in years)**
Buildings	20 - 75
Structures, machinery and equipment:	
- electricity and communication facilities	20 - 25
- electricity equipment	15 - 35
- other equipment	5 - 20
Motor vehicles	4 - 10
Other property, plant and equipment:	
- computer hardware and communication equipment	3 - 10
- inventory, tools	4 - 10
Intangible assets	3 - 4

3. Accounting policies (cont'd)

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

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

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

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any (the Group/Company does not have intangible assets with indefinite useful lives).

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

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

Held-to-maturity financial assets
Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the investments are impaired, derecognised or amortised.

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

Effective interest rate method
The effective interest rate method is used to calculate amortised cost of financial assets and allocate interest income over the relevant period. The effective interest rate exactly discounts estimated future cash flows through the expected life of the financial asset.

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 effective interest rate.

3. Accounting policies (cont'd)

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

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

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 basis (FIFO). Net realisable value is the selling price, less the estimated costs of completion, marketing and selling expenses.

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

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

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

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

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

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised using the effective interest rate method.
If a financing agreement concluded before the balance sheet date proves that the liability was non-current as of the date of the balance sheet, that financial liability is classified as non-current.

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

Asset-related grants
Government and the European Union grants and third party compensations received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Grants are initially recorded as liability at fair value of the asset and later recognised as revenue, reducing the depreciation charge of related asset over the expected useful life of the asset.

3. Accounting policies (cont'd)

Income-related grants
Government and the European Union grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

Provisions for pension payments
Each employee is entitled to 2 months salary payment when retiring after reaching the pension age according to Lithuanian legislation. Actuarial calculations are made to determine liability for this pension payment. The liability is recognised at present value discounted using market interest rate.

Employee benefits
(a) Social security contributions
The Company and the Group pay social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.
(b) Termination benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group recognise termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

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

Lease is recognised as financial lease, when all the risks and benefits incidental to 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
Financial leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Respective finance lease liability is recorded in the statement of financial position. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

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

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

Revenue from sales of electricity
Revenue from electricity acquired at the electricity exchange, electricity export and public service obligations (PSO) electricity sales is recognised when substantially all risks and rewards related to the object of sale have been transferred to the buyer. The Company does not recognise revenue and expenses from transmission trading in the trading exchange with respect to those transaction in which it acts as an agent.

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

3. Accounting policies (cont'd)

Tariff regulation

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

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

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

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

Other income

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

Recognition of expenses

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

Income tax

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

Consolidation principles

The consolidated financial statements of the Group include LITGRID turtas AB and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent 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. The consolidated financial statements of the Group are prepared and total comprehensive income is attributed to Group from the 1st of December, when the control of subsidiaries was transferred to the Company.

4. Intangible assets

The structure of the Group's intangible assets as at 31 December 2010 is as follows:

Group	Patents and licenses	Computer software	Other intangible assets	Total
At 31 December 2010				
Opening net book amount	-	-	-	-
Additions	-	1,769	28	1,797
Amortisation charge	-	(47)	-	(47)
Net book amount at 31 December 2010	**-**	**1,722**	**28**	**1,750**
Year ended 31 December 2010				
Cost or revaluated amount	1	4,555	34	2,317
Accumulated amortisation	(1)	(2,833)	(6)	(567)
Net book amount at 31 December 2010	**-**	**1,722**	**28**	**1,750**

The structure of the Group's intangible assets as at 31 December 2010 is as follows:

Company	Patents and licenses	Computer software	Other intangible assets	Total
At 31 December 2010				
Opening net book amount	-	-	-	-
Additions	-	504	11	515
Net book amount at 31 December 2010	**-**	**504**	**11**	**515**
Year ended 31 December 2010				
Cost or revaluated amount	1	2,774	13	515
Accumulated amortisation	(1)	(2,270)	(2)	-
Net book amount at 31 December 2010	**-**	**504**	**11**	**515**

5. Property, plant and equipment

The structure of the Group's property, plant and equipment as at 31 December 2010 is as follows:

Group	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 December 2010							
Opening net book amount	-	-	-	-	-	-	-
Additions	1,961	35,096	1,934,150	1,868	44,045	62,491	2,079,611
Revaluation	-	15	-	-	-	-	15
Write-offs	-	-	(4,390)	-	-	-	(4,390)
Transferred to investment property)	-	(670)	-	-	-	-	(670)
Reclassification between groups	-	1,566	24,412	-	2,228	(28,206)	-
Depreciation charge	-	(187)	(10,179)	(39)	(710)	-	(11,115)
Net book amount at 31 December 2010	**1,961**	**35,820**	**1,943,993**	**1,829**	**45,563**	**34,285**	**2,063,451**
Year ended 31 December 2010							
Cost or revaluated amount	1,961	38,120	2,061,505	2,375	86,811	34,285	2,225,057
Accumulated depreciation	-	(2,155)	(116,287)	(546)	(41,248)	-	(160,236)
Accumulated impairment	-	(145)	(1,225)	-	-	-	(1,370)
Net book amount at 31 December 2010	**1,961**	**35,820**	**1,943,993**	**1,829**	**45,563**	**34,285**	**2,063,451**

The structure of the Company's property, plant and equipment as at 31 December 2010 is as follows:

Company	**Land**	**Buildings**	**Structures and machinery**	**Motor vehicles**	**Other PP&E**	**Construction in progress**	**Total**
At 31 December 2010							
Opening net book amount	-	-	-	-	-	-	-
Additions	1,961	33,336	1,933,911	-	35,459	62,892	2,067,559
Write-offs	-	-	(4,390)	-	-	-	(4,390)
Transferred to investment property)	-	(670)	-	-	-	-	(670)
Reclassification between groups	-	1,566	24,412	-	2,228	(28,206)	-
Depreciation charge	-	(179)	(10,175)	-	(591)	-	(10,945)
Net book amount at 31 December 2010	**1,961**	**34,053**	**1,943,758**	**-**	**37,096**	**34,686**	**2,051,554**
Year ended 31 December 2010							
Cost or revaluated amount	1,961	35,955	2,061,131	-	76,546	34,686	2,210,279
Accumulated depreciation	-	(1,757)	(116,148)	-	(39,450)	-	(157,355)
Accumulated impairment	-	(145)	(1,225)	-	-	-	(1,370)
Net book amount at 31 December 2010	**1,961**	**34,053**	**1,943,758**	**-**	**37,096**	**34,686**	**2,051,554**

6. Investment property

	Group	**Company**
At 31 December 2010		
Opening net book amount	-	-
Additions	-	917
Transferred from property, plant and equipment to investment property	670	670
Depreciation charge	(2)	(4)
Net book amount at 31 December 2010	**668**	**1,583**
At 31 December 2010		
Cost	816	1,926
Accumulated depreciation	(148)	(343)
Net book amount at 31 December 2010	**668**	**1,583**

7. Trade receivables

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

	Group at 31 December 2010	**Company at 31 December 2010**
Receivables from electricity sales	130,057	-
Receivables for contractual works, other services	9,030	-
Unbilled revenue from electricity-related sales	398	-
Receivables for lease, maintenance of the network and other services	-	13,424
Total	**139,485**	**13,424**

8. Other receivables

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

	Group at 31 December 2010	**Company at 31 December 2010**
*Other receivables	7,237	17
*Other accrued receivables	1,512	-
VAT receivable in future periods	1,274	1,274
Receivables for property lease	341	341
Accrued interest receivables	72	-
Receivables for IT and telecommunications services	1	7
Total	**10,437**	**1,639**

*Receivable amount occur due to the correction of asset management fee under a contract between AB Lietuvos energija and Litgrid AB.

9. Trade payables

	Group at 31 December 2010	**Company at 31 December 2010**
Payables under public service obligation (PSO) scheme	46,180	-
Debts for electricity and related services	42,433	-
Amounts payable for contractual works, other services	24,371	22,298
Accrued liability for electricity	15,445	-
Amounts payable for material values	3,796	250
Amounts payable for electricity transmission service	1,339	-
Receivables for lease, maintenance of the network and other services	555	-
Nordpool sales transaction fee	211	-
Total	**134,330**	**22,548**

10. Other accounts payable and liabilities

Other accounts payable and liabilities of the Group and the Company are as follows:

	Group at 31 December 2010	**Company at 31 December 2010**
VAT payable to the budget	4,869	-
Vacation reserve	1,404	461
Employment-related liabilities	1,054	182
Accrued other charges	1,014	344
Real estate tax payable	199	197
Other payables	147	18
Total	**8,687**	**1,202**

11. Related-party transactions

The Group's transactions with related parties during 2010 and the balances arising on these transactions as at 31 December 2010 are presented below:

Related parties	Trade payables and other accounts payable	Trade receivables and other accounts receivables	Purchases	Disposals
Entities controlled by the Lithuanian Ministries of Economy and Energy	65,141	109,654	633,380	743,490
Total	**65,141**	**109,654**	**633,380**	**743,490**

The Company's transactions with related parties conducted during 2010 and the balances arising on these transactions as at 31 December 2010 are presented below:

Related parties	Trade payables and other accounts payable	Trade receivables and other accounts receivables	Purchases	Disposals
Entities controlled by the Lithuanian Ministries of Economy and Energy	4,816	416	2,392	282
Total	**4,816**	**416**	**2,392**	**282**

12. Post-balance-sheet events

On January 24, 2011 during the extraordinary general shareholders meeting of LITGRID Turtas AB shareholders approved the reorganization conditions of LITGRID turtas AB and LITGRID AB and following the Civil Code of the Republic of Lithuania, Article 2.97, Part 3 and reorganization conditions of LITGRID Turtas AB and LITGRID AB decided to reorganize LITGRID turtas AB and LITGRID AB by way of merger, merging LITGRID AB, which, subsequent to the reorganization, will terminate its activity as a legal entity, with LITGRID turtas AB, which, subsequent to the reorganization, will continue its activity and to which, subsequent to the reorganization, will be transferred all assets, rights and duties of LITGRID AB.

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