LIETUVOS ENERGIJA, AB

CONSOLIDATED ANNUAL REPORT FOR THE FINANCIAL YEAR 2011 AND CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR 2011

Prepared according to the International Financial Reporting Standards adopted in the European Union

Accompanied by an Independent Audit Report

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The financial statements were approved by Director General, Acting Director of Finance and Legal Department and Chief Financier on 5 April 2012.

Dalius Misiūnas Director General	Gitutė Malakaitė Acting Director of Finance and Legal Department	Giedruolė Guobienė Chief Financier

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

Independent Auditor's Report

To the shareholders of Lietuvos Energija AB

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial Statements') of Lietuvos Energija AB ('the Company') and its subsidiaries (collectively 'the Group') set out on pages 55 to 135 which comprise the stand alone and consolidated statements of financial position as of 31 December 2011 and the stand alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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Basis for Qualified Opinion – Disagreement

As disclosed in Note 19 to the Financial Statements, as of 31 December 2011 and 31 December 2010 the Company and the Group were not in compliance with certain debt financial covenants which permitted the lender to demand immediate repayment of borrowings totalling LTL 371 million and LTL 409 million, respectively. In our opinion, the classification of part of the borrowings as non-current is not compliant with International Accounting Standard *(IAS) 1 Presentation of financial statements*, which requires the liability to be classified as current at the reporting date only when the Company and the Group have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Consequently, the Company's and the Group's non-current borrowings should be reduced, whereas current borrowings should be increased by LTL 371 million and LTL 409 million as of 31 December 2010 and 31 December 2011, respectively.

According to the Company's and the Group's accounting policy, property, plant and equipment (excluding the categories of assets of the power plants) should be stated at revalued amounts (being their fair values as of the date of revaluation) less subsequent accumulated depreciation and impairment losses and should be subject to an impairment test whenever impairment indications exist. As explained in Note 3 to the Financial Statements, the recent amendments to relevant regulatory legislation may have a significant adverse impact on the fair value and recoverable amount of the Company's and the Group's assets. Management was not able to assess the fair values of the Company's and the Group's property, plant and equipment with the carrying amounts of LTL 2,142 million and LTL 2,145 million, respectively as of 31 December 2009, nor it was able to carry out a proper impairment test. Instead, it reduced the values of most items of assets using the construction price indices published by the Lithuanian Department of Statistics. As a result of spin-off of the transmission system operator's activities, the carrying amounts of the Company's and the Group's property, plant and equipment stated at revalued amounts totalled LTL 18 million and LTL 42 million, respectively as of 31 December 2010. We were unable to assess reliably the impact of the above-mentioned matter on the results of operation of the Company and the Group for the year ended 31 December 2010.

Basis for Qualified Opinion – Scope Limitation

The Company and the Group accounted for property, plant and equipment at cost, less accumulated depreciation and impairment, amounting to LTL 2,494 million and LTL 2,270 million as of 31 December 2011 and 31 December 2010, respectively, using the estimated useful lives as disclosed in Note 2 to the Financial Statements. The Group operates in an industry experiencing rapid technological change, therefore, the estimated useful lives of property, plant and equipment should be reviewed on a regular basis as required by *IAS 16 Property, plant and equipment*. The Company and the Group acquired the above-mentioned assets through a business combination between jointly controlled entities and had not reviewed the useful lives of these assets since 2004. In addition, as explained in Note 3 to the Financial Statements, the Company and the Group did not assess whether the recoverable amount of property, plant and equipment amounting to LTL 2,494 million as of 31 December 2011 (LTL 2,270 million as of 31 December 2010) was not lower than its carrying amount as required by *IAS 36 Impairment of assets*. Consequently, we were unable to obtain sufficient and appropriate evidence as to the carrying amounts of the Company's and the Group's property, plant and equipment totalling LTL 2,494 million and LTL 2,270 million as of 31 December 2011 and 31 December 2010, respectively.

Qualified Opinion

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion – Disagreement* paragraph and except for the possible effects of the matter described in the *Basis for Qualified Opinion - Scope Limitation* paragraph, the accompanying Financial Statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2011, and of the results of their operation and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2011 set out on pages 6 to 54 and have not noted any material inconsistencies between the financial information included in it and the audited Financial Statements for the year ended 31 December 2011.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Director

Jurgita Krikščiūnienė
Auditor's Certificate No.000495

Vilnius, Republic of Lithuania
5 April 2012

LIETUVOS ENERGIJA AB AND ITS SUBSIDIARIES CONSOLIDATED ANNUAL REPORT FOR THE FINANCIAL YEAR 2011

I. MAIN INFORMATION

1. ABOUT COMPANY

Background

Lietuvos energija, AB was registered in the Register of Legal Persons on 21 July 2011. Lietuvos energija, AB was formed upon reorganisation, according to the provisions of the National Energy Strategy, of two public companies, i. e. Lietuvos energija AB, business ID 220551550, and Lietuvos elektrinė AB, business ID 110870933.

AB „Lietuvos energija" and AB „Lietuvos elektrinė" were reorganised under Article 2.97 (4) of the Civil Code of the Republic of Lithuania by merger, with the companies upon reorganisation ceasing operations as legal persons and with a new company Lietuvos energija, AB, being formed as a result of the reorganisation. Lietuvos energija, AB continues the operations of the two reorganised companies, having assumed all assets, rights and liabilities thereof, i. e. as a new legal person which emerged on the basis of the two companies that ceased to exist. The reorganisation was aimed at joining together and optimising the state-controlled power generation capacities by forming a single power generation unit.

Accounting period covered by the Annual Report

The Consolidated Annual Report presents information on the activities of the Company and the Group in financial year 2011. The information is intended for the shareholders, creditors and other stakeholders of the Company.

Regulation of the Annual Report

This Consolidated Annual Report of Lietuvos energija, AB (hereinafter referred to as the "Company" or "Lietuvos energija, AB") and its subsidiaries (the Company and its subsidiaries hereinafter referred to as the "Group") has been prepared by the administration of the Company and approved by the Board in accordance with Section V, Article 25 of the Republic of Lithuania Law on Financial Statements of Companies and Section III, Article 9 of the Republic of Lithuania Law on Consolidated Financial Statements of Companies as well as according to resolution of the Securities Commission of the Republic of Lithuania "Concerning Approval of the Regulations on the Preparation and Submission of Periodic and Additional Information" No. 1K-3 of 23 February 2007 as amended on 14 February 2008.

Persons responsible for the information provided in the Annual Report

Position	Name	Tel. No
CEO of Lietuvos energija, AB	Dalius Misiūnas	(8-528) 33207
Acting Director of the Finance and Legal Department	Gitutė Malakaitė	(8-528) 33272

All amounts in LTL'000 unless stated otherwise

Main information on the Issuer

Name of company	**Lietuvos energija, AB**
Business ID	302648707
Authorised capital	635 083 615 Lt
Paid-up authorised capital	635 083 615 Lt
Address	Elektrinės g. 21, LT-26108 Elektrėnai
Telephone No.	(8-528) 33207
Fax No.	(8-528) 33272
E-mail	info@le.lt
Website	www.le.lt
Legal and organisational form	Public company, a private legal person with limited civil liability
Registration date and place	21 July 2011, Register of Legal Persons
Register in which data on the company are collected and stored	Register of Legal Persons

Type of core activities of the Company

Power generation, supply, import and export as well as trade in electricity are core activities of Lietuvos energija, AB.

Information about the Group

As of the date of formation of the Company, Lietuvos energija, AB Group consisted of Kauno energetikos remontas UAB (wholly-owned subsidiary), Energijos tiekimas UAB (wholly-owned subsidiary), and Data Logistics Center UAB (wholly-owned subsidiary). Furthermore, the Company had shareholdings in the following associated companies: Nordic Energy Link AS (25% of shares), Geoterma UAB (23.44% of shares), Technologijų ir inovacijų centras UAB (20.72% of shares), NT Valdos UAB (41.10% of shares). Indirectly, through Kauno energetikos remontas UAB, the Company held the majority of voting shares in Gotlitas UAB and had significant influence in Enmašas UAB (33.33% of shares).

Under a share subscription agreement concluded on 23 December 2011, Lietuvos energija, AB acquired newly issued shares in Technologijų ir inovacijų centras UAB. The shares were paid for in kind by transferring the shares in Data Logistics Center UAB, the Company's subsidiary. Thus the Company acquired significant control over Technologijų ir inovacijų centras UAB.

As of 31 December 2011, the Company had direct control over the following subsidiaries: Kauno energetikos remontas UAB, Energijos tiekimas UAB, and Technologijų ir inovacijų centras UAB. Kauno energetikos remontas UAB and Energijos tiekimas UAB are wholly-owned subsidiaries; the Company holds 54.04% of the shares in Technologijų ir inovacijų centras UAB.

Apart from the said subsidiaries, the Company takes part in the control of the following associated companies: Geoterma UAB (23.44% of shares), Nordic Energy Link AS (25%), and NT valdos UAB (41.10%). Indirectly, through Kauno energetikos remontas UAB, the Company held 100% of voting shares in Gotlitas UAB and had significant influence over Enmašas UAB (33.33% of shares) as well as held 54,04% of voting shares in Data Logistics Center UAB through Technologijų ir inovacijų centras UAB.

The Group companies' contact details are provided in the table below:

Name	Legal form	Date and place of registration	Business ID	Registered office	Telephone and fax No., email
Lietuvos energija, AB	Public company	21-07-2011 Register of Legal Persons of the Republic of Lithuania	302648707	Elektrinės g. 21, LT-26108 Elektrėnai	Tel. +370 528 33207 Fax +370 528 33272 www.le.lt; info@le.lt
UAB „Kauno energetikos remontas"	Private company	27-04-2000 Register of Legal Persons of the Republic of Lithuania	135617795	Chemijos g. 17, LT-51331 Kaunas	Tel. +370 37 456702 Fax +370 37 452948 www.ker.lt; ker@ker.lt
Energijos tiekimas UAB	Private company	21-10-2009 Register of Legal Persons of the Republic of Lithuania	302449388	P. Lukšio g. 1, LT-08221 Vilnius	Tel. +370 700 55088 Fax +370 527 82750 www.etiekimas.lt info@etiekimas.lt
UAB Technologijų ir inovacijų centras	Private company	21-10-2009 Register of Legal Persons of the Republic of Lithuania	302527488	A. Juozapavičiaus g. 13 LT-09311 Vilnius	Tel. + 370 527 82272 Fax + 370 527 82299 www.etic.lt info@etic.lt

Core activities of the Group companies

Company	% of shares held by the Group	Main operations
Lietuvos energija, AB	-	Generation, import and export of electricity, wholesale trade in electricity, electric power system services
UAB „Kauno energetikos remontas"	100 proc.	Repairs of energy equipment, manufacture of metal structures
Energijos tiekimas UAB	100 proc.	Independent supply of electricity
UAB Technologijų ir inovacijų centras	54,04 proc.	Provision of services related to innovations, knowledge and competence management, information technologies, applied systems and their management

2. OVERVIEW OF ACTIVITIES

REORGANISATION OF THE COMPANY

The merger of two companies - AB „Lietuvos energija" and AB Lietuvos elektrinė AB in 2011 marked the end of the process of formation of the power generation unit. The new company Lietuvos energija, AB officially started operations on the 1st of August.

In the process of reorganisation, administrative processes, such as accounting and financial management, legal. communication, safety and risk prevention, human resources management of Lietuvos energija AB and Lietuvos elektrinė AB were joined together; the procurement function including supervision and control of procurement was centralised as well.

Furthermore, with the aim to increase efficiency the power plant repair unit was separated from the core activities of the Company. From 18 July 2011, repair works of the Lithuanian Power Plant (Lietuvos elektrinė), the Kruonis Hydro Pumped Stored Plant, and the Kaunas Hydroelectric Power Plant were entrusted to Kauno energetikos remontas UAB which had been awarded a contract in a tendering procedure. Upon separation of the repair function, the Company has become more flexible in scheduling the power plants' repair works based on the plants' operating conditions.

In 2011, the Company focussed on long-term strategic planning as, in the nearest decade, a number of major strategic projects are planned to be implemented in the energy sector of Lithuania and of the neighbouring countries; these projects will have direct influence over the Company's operations. In 2012, the Company intends to launch power generation in a new combined-cycle unit, which is now under construction and which will increase the capacity, reliability and efficiency of the Lithuanian Power Plant and reduce the cost of power generation.

On completion of construction of the liquefied gas terminal in 2014, competition between suppliers of natural gas should increase, leading to lower gas prices. It is projected that in 2016 the Lithuanian energy system will be connected, via the power links with Poland and Sweden, with the Nordic and the Continental Europe power systems. These power links will enable a free trade in electricity between the EU Member States; on the other hand, the larger number of links will ensure a more reliable power supply through diversification of countries and sources of supply.

MATERIAL EVENTS AFTER THE END OF FINANCIAL YEAR

An extraordinary meeting of shareholders of the Company held on 19 January 2011 charged the Board with the responsibility for drafting, in cooperation with the Board of Lietuvos elektrinė AB, the terms and conditions of reorganisation of the Company and Lietuvos elektrinė AB by the method of merger (under Article 2.97(2)) of the Civil Code of the Republic of Lithuania).

The same meeting resolved to amend the Articles of Association of the Company by establishing the right of the Board of Lietuvos energija AB to approve the total/maximum number of employees, to set the remuneration and other terms of employment and to approve the job regulations for the head of the structural division carrying out the internal audit functions as well as to provide incentives thereto and impose penalties thereon, to adopt decisions on providing charity and support, to consider the matters related to the formation and termination of branches and representative offices of the companies in which Lietuvos Energija AB has shareholdings (including subsidiaries), to consider candidates to members of the board of such companies – representatives of Lietuvos energija AB, and to analyse and consider issues raised to the Board by the General Manager; furthermore, the procedure for publishing notices of the Company was amended without adding other methods of publishing notices.

By its resolution of 11 February 2011, the Board of the Company approved resignation of Aloyzas Koryzna from the CEO's position. Mr. Aloyzas Koryzna also submitted an application for resignation from the Board member's position. Dalius Misiūnas was appointed new CEO of Lietuvos energija AB by resolution of the Board.

On 21 February 2011, the Boards of the Company and of Kauno energija AB resolved on the formation of a joint venture which will implement the project on the construction of the new biofuel-fired co-generation plant in Kaunas. It is projected that the share capital of the new company will amount to LTL 200,00o, with the Company and Kauno energija AB acquiring 67% and 33% of the company respectively.

On 3 March 2011, shareholders of Visagino atominė elektrinė UAB (business ID 301844044), which owns 477,063,400 ordinary registered shares of the Company, i. e. 97.5% of the total number of shares of the Company, decided to form the Audit Committee of Visagino atominė elektrinė UAB. The shareholders approved the working documents of the Audit Committee, establishing that activities of the Audit Committee cover Visagino atominė elektrinė UAB, its subsidiaries (wholly-owned and others), and other legal persons, controlled by the company either directly or indirectly.

On 15 March 2011 the Company published a notice stating that, having regard to the initiated procedure of reorganisation of the Company and Lietuvos elektrinė AB and to the necessity to determine the financial capacity of the new company upon reorganisation to implement investment projects, the Company had approached the Public Procurement Office (PPO) for its consent to cancel the procurement of the works of installation of Unit 5 of the Kruonis HPSP. On receipt of the PPO's consent, the Company cancelled the procurement procedure. The Company intends to adopt decisions on further implementation of the project on the installation of Unit 5 of the Kruonis HPSP at a later date, when reorganisation of the Company and Lietuvos elektrinė AB is completed.

The extraordinary general meeting of shareholders of the Company held on 17 March 2011 elected Dalius Misiūnas as the member of the Board in the place of the resigned Aloyzas Koryzna, for the term remaining until the end of the term of office of the Board.

On 3 June 2011, the National Electricity Association was founded by companies of the Lithuanian electric power sector, i. e. Lietuvos energija AB, LESTO AB, LITGRID AB, and Technologijų ir inovacijų centras UAB. One of the main functions of the association is to ensure proper representation of the Lithuanian energy sector at EURELECTRIC, the association of the electricity industry in Europe.

18 July 2011. Seeking to increase efficiency and transparency of operations and taking guidance from successful experience of other countries, the repair unit was separated from the core activities of the Company and the repair works of the Lithuanian Power Plant (Lietuvos elektrinė), the Kruonis Hydro Pumped Stored Plant, and the Kaunas Hydroelectric Power Plant were entrusted to Kauno energetikos remontas UAB which had been awarded a contract in a tendering procedure.

On 20 July 2011, based on the terms and conditions of reorganisation of Lietuvos energija AB and Lietuvos elektrinė AB, a new company Lietuvos energija, AB was registered in the Register of Legal Persons. The new company will assume the assets, rights and liabilities of the said companies according to the terms and conditions of reorganisation.

On 29 July 2011, the State Commission on Control of Prices and Energy issued to Lietuvos energija, AB certificates entitling it to engage in the operation and maintenance of power, heat, natural gas, oil and petroleum product facilities. Furthermore, the Commission decided to issue Lietuvos energija, AB a licence of independent electric power supplier, which shall take effect on 1 August 2011.

On 1 August 2011, the Transfer – Acceptance Certificate of Transfer of the Assets, Rights and Responsibilities Lietuvos energija AB and Lietuvos elektrinė AB to Lietuvos energija, AB was signed. The new Lietuvos energija, AB started operations.

On 29 August 2011, the Board of NASDAQ OMX Vilnius AB resolved to include the shares of the Company into the Official Trading List of NASDAX OMX Vilnius Securities Exchange from 1 September 2011.

On 3 November 2011, the Collective Agreement of the Company was concluded, whereby the employees were granted both social guarantees and an incentive package. The Collective Agreement contributes to the efficiency of work and represents rights and legitimate interests of all employees of the Company. Prior to reorganisation of the Company, all the three power plants (Lithuanian Power Plant, Kaunas HPP and Kruonis HPSP) had separate collective agreements in place.

On 12 December 2011, Mr. Rimantas Vaitkus was as member of the Board in the place of Mr. Šarūnas Vasiliauskas, for the term remaining until the end of the term of office of the Board . Member of the Board Arvydas Darulis was replaced by Ms Sonata Matulevičienė, for the term remaining until the end of the term of office of the Board

On 19 December 2011, the Company and Klaipėdos nafta AB signed a contract agreement as the first step in the negotiations for the purchase of gas from the projected liquefied gas terminal. The parties to the agreement undertook, during the terminal project implementation period, to exchange information and update the data required for the conclusion of the contract. The agreement also stipulates that Klaipėdos nafta AB – the entity implementing the project – will strive to achieve that the capacity of the terminal provides the total quantity of gas required for the Company.

23 December 2011. Upon transfer of the shares of Data Logistics Center UAB (DLC) to Technologijų ir inovacijų centras UAB (TIC), the Company acquired a block of shares in UAB TIC. The Company holds 41,350,181 ordinary registered non-certificated shares in Technologijų ir inovacijų centras UAB, par value per share being LTL 1, or 54.04% of the authorised capital of this company.

OPERATIONS OF THE GROUP

Overview of operations of Lietuvos energija, AB in 2011.

Lietuvos energija, AB sells electricity and provides power balancing services to public and independent suppliers operating in the Lithuanian market, The Company also exports and sells electricity on the Lithuanian and Estonian electricity exchanges. The Company generates the required amounts of electric power in its three power plants, buys electricity from other suppliers and producers under agreements, and imports and buys electricity on the Lithuanian and Estonian electricity exchanges.

Generation

Lietuvos energija, AB holds permits of undetermined duration to generate electric power. Power is generated in the Lithuanian Power Plant the Kaunas Hydroelectric Power Plant (Kaunas HPP), and the Kruonis Hydro Pumped Storage Plant (Kruonis HPSP). In 2011, LPP generated 1.20 TWh, Kruonis HPSP 0.53 TWh, and Kaunas HPP 0.39 TWh of electric power. The amount of power produced by all the power plants of Lietuvos energija, AB accounted for about 22% of the total national requirement in 2011.
Lietuvos energija, AB focuses on renewable energy resources. The Kaunas HPP and the Kruonis HPSP use hydro energy – a flexible and clean resource that will never be exhausted.
The amount of green electricity produced in Lithuania in 2011 totals 1.09 TWh; over 35% was supplied by the Kaunas HPP. In order to better diversify the sources of energy and to promote further development of renewable energy sources in Lithuania, the Company intends to use biofuel for production in the future.

Trading in Lithuania

Lietuvos energija, AB conducts electricity trade in the wholesale market (i. e. between power generating companies and suppliers). In 2011, the Company sold 4.22 TWh of electricity to the domestic market (public suppliers and other independent suppliers). Furthermore, in 2011 the Company bought and sold electricity generated by wind farms, connected to the transmission network, to LESTO – public supplier. Last year, 0.24 TWh of electricity was bought from the wind farms and sold to the public supplier.

Trading abroad

Lietuvos energija, AB holds permits of undetermined duration to generate electric power. In 2011, the Company imported electricity from Belarus, Estonia and Latvia and exported electricity to Estonia and Latvia. In 2011, imports of the Company totalled 1.08 TWh and exports 0.29 TWh of electricity.

Other services

Lietuvos energija, AB provides system services to the Lithuanian transmission system operator (TSO).

System services secure the stability and reliability of the energy system, prevention of and response to emergencies in the system, and the necessary power reserve, in accordance with the quality and reliability requirements set for the power supply. System services include the reserving of power, trading in regulating power and balancing power, reactive power management, and system recovery services.

Reserving of power is the means to ensure reliable operation of the power system in those unforeseen cases when power generation decreases or power consumption increases. In such cases, the power generating company provides the service of securing the power reserve and of maintaining the reserve power in the spinning or stand-by production facilities, which means that the secondary and/or tertiary reserve is in use. Secondary power reserve is the power of spinning equipment or hydro units, maintained by the producer and activated within 15 minutes. Tertiary (cold) reserve is the power of stand-by generating sources, maintained by the producer and activated from the reserve (cold) state within 12 hours. All the three power plants of Lietuvos energija, AB provide the services of securing the power reserve and maintaining of reserve power in spinning/stand-by production facilities. The secondary power reserve is ensured by the Kaunas HPP and the Kruonis HPSP, and the tertiary power reserve – by LEL. In 2011, Lietuvos energija, AB sold about 2.1 TWh of secondary power reserve and 2.9 TWh of tertiary power reserve.

Regulating power is necessary for the balancing of the surplus and deficiency of power in the energy system. Trade in regulating power is conducted in real time to secure the reliable operation of the power system every hour. If there is a lack of power in the system and the transmission system operator (TSO) gives an instruction to increase generation, the Company increases the amounts of electricity produced and sells the required regulating power to the TSO. If there is a surplus of power in the system and the TSO instructs to reduce generation, the Company reduces the amounts of electricity produced and buys the surplus regulating power from the TSO. In 2011, Lietuvos energija, AB sold 0.042 TWh and bought 0.023 TWh of regulating power.

Reactive power management service is a system service aimed at levelling out the unevenness in the loading of the power system and at maintaining the required voltage and frequency levels. The reactive power management service is provided by means of the Kruonis HPSP's units operating under the conditions of a synchronous compensator.

Service of system recovery after a total breakdown is a service the purpose of which is to effectively start the generating source without using supply from the grid in case of full or partial failure of the power system. Such service is provided by the Kruonis HPSP and the Kaunas HPP.

OPERATIONS OF SUBSIDIARIES

Core activities of Kauno energetikos remontas UAB include the diagnostics, modernisation, repairs and installation of energy equipment, manufacture of spare parts for energy equipment, manufacture of metal structures for energy and other industrial installations, manufacture of spare parts for boilers and engines, and manufacture of hermetic oil transformers. Upon reorganisation of the energy sector in 2010, the company became the main entity servicing the companies of the sector's power generation unit.

Kauno energetikos remontas UAB has direct influence over Gotlitas UAB, whose main activities include provision of accommodation services, rent of premises and commercial activities.

Energijos tiekimas UAB is an independent supplier of electricity. The company supplies electricity in the retail market to those customers who are obliged, from 1 January 2010, to buy electricity in the free electricity market. The independent supplier's licence No. L1-NET-36 was issued to the company by the State Commission on Control of Prices and Energy. The company also holds a permit to import electricity. Its sales volume totalled 1.234 TWh in 2011.

Data Logistics Center UAB core activities include the data centre services, data transmission services, rent of optic fibres and other telecommunications services. The company started active operations in December 2010. Upon selling the shares in Data Logistics Center UAB to Technologijų ir inovacijų centras UAB on 23 December 2011, the Company acquired a block of shares in the latter company. The Company holds 41,350,181 ordinary registered shares (par value per LTL 1) of Technologijų ir inovacijų centras UAB, or 54.04% of this company's authorised capital.

Services provided by Technologijų ir inovacijų centras UAB: support and development of strategic information systems, infrastructure services, office services, maintenance and development of business management systems, accounting services, innovation and competence related services.

INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES OF THE GROUP

The Company uses long-term strategic planning in determining the lines of development of the Company and the required investments in the replacement/modernisation of production equipment.

The following studies related to the R&D activities of the Company were started in 2011:

Feasibility study on the Development of Heat Production Facilities in Elektrėnai. In October 2011, the Company initiated a tendering procedure for the procurement of a feasibility study to assess the potential extension of the use of biofuel for the production of heat energy for the Elektrėnai region. The study will assess the conditions for achieving favourable heat energy prices for the local community, controlling environmental pollution, and expanding the processing and supply of the renewable energy resources (RER) by companies. One of the main objectives of implementing the new heat production technologies is to offer a competitive heat price to residents in the Elektrėnai region. It is being projected that the energy generation technologies using RER should replace the technologies currently used by the Lithuanian Power Plant which imports fuel for the energy generation purposes. On completion of the feasibility study, a specific design solution and a detail implementation plan will be offered. The feasibility study is to be completed in 2012.

Investigations into the Syderiai geological structure. With the aim to construct an underground natural gas storage facility in which the required gas reserve will be accumulated, Phase I of the feasibility study on the Syderiai geological structure, initiated in 2010, was completed last year. In this phase, the Syderiai geological structure was investigated by the 2D/3D seismic exploration method, the characteristics of the tectonic faults were identified, the evolution of the features of the Cambrian collector was assessed, the effective volume and the potential gas storage capacity were determined, and the need for and scope and cost of other investigations was assessed. Phase II of the feasibility study was initiated in order to make the findings of the seismic exploration more precise. Phase II involves drilling of investigation wells. International tender documentation for the selection of a contractor has been prepared. The contractor will conduct geological-geophysical investigations into the structure at those spots which pose the greatest risk. The investigations will be aimed at assessing the characteristics of the reservoir and its protective layer as well as their fitness for the construction of a gas storage facility. A contractor for the designing and the supervision of construction of the drilling sites and access roads has been selected and designing works have been starred. Phase II is expected to be completed in QII of 2013.

Technological audit of the Lithuanian Power Plant. Prospects of the operations of the power plant are being examined and the operating, maintenance and repair costs are compared with the indicators of power plants in other countries. The experts will make recommendations for the drawing of optimal inspection and repair schedules and the improvement of the power plant control and management personnel. The experts are making an assessment of the power plant's operating risks by 2020, considering the stricter requirements of the European Union and Lithuanian legal acts. The services will be completed in QI of 2012.

INVESTMENT IN FIXED ASSETS

In 2011, the company's investment in fixed tangible assets accounted for LTL 269 million, whereas the group's investment amounted to LTL 271 million. The major share of investment, i.e. LTL 263 million, (including capitalised interest) was investment in the new Combined Cycle GAS TURBINE (CC) (GT) Unit of the Lithuanian Power Plant. In comparison, in 2010, investment into the CC GT Unit reached LTL 550 million. Moreover, the company plans to invest LTL 182 million in the CC GT Unit in 2012.

In 2011, the reconstruction of Kaunas Hydroelectric Power Plant was accomplished, leading to a triple increase in reliability and a 4 per cent increase in efficiency of the power plant. Furthermore, its operation time was extended for 25 years, and periodicity of major repairs of units was prolonged from 5 to 20 years.

3. ANALYSIS OF FINANCIAL RESULTS AND OPERATING RISKS

Financial results of the Company and the Group are presented in the table below.

	Company		Group	
	2011	2010	2011	2010
FINANCIAL RESULTS, LTL'000				
Sales income	1.365.573	1.212.831	1.374.155	1 220.564
Income from other activities	23.480	650	55.352	40.253
EBITDA (earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current assets impairment losses*)	83.160	102.216	68.410	119.633
Operating profit	15.146	57.293	13.161	80.619
Net profit **	10.756	70.512	1.526	91.260
Cash flows from operations	93.380	243.957	106.423	295.137
Financial liabilities	640.997	534.992	642.166	548.526

	Company		Group	
	2011	2010	2011	2010
Investments***	269.499	326.752	271.059	326.804
FINANCIAL STRUCTURE (RATIOS):				
Liabilities / equity	1.23	1.06	1.23	1.08
Financial liabilities / equity	0.39	0.31	0.38	0.32
Financial liabilities / assets	0.17	0.15	0.17	0.15
LOAN COVERAGE RATIO				
Loan coverage ratio EBIT (earnings from continued operations before tax + interest costs – interest income – dividends received)/ (interest costs + loans repaid in current year)	1.64	3.75	1.36	3.99
INTEREST COVERAGE RATIO				
EBIT (earnings from continued operations before tax + interest costs – interest income – dividends received) / interest costs)	0.65%	4.09%	0.09%	5.28%
Return on equity (net profit*/equity) (%)	0.29%	1.98%	0.04%	2.54%

* Excluding impairment of investments in associated companies and subsidiaries and excluding result of discontinued operations.

** Net profit from continued operations.

*** Investments include acquisitions of non-current tangible assets.

Low profitability indicators are mainly determined by the specific nature of the Company's operations: about 40 per cent of income is comprised of regulated operating revenue – heat and power generated by the Lithuanian Power Plant and systemic services provided by the Company. The profit margin is not included in the setting of the price for generation by the Lithuanian Power Plant and systemic services.

Statement of Financial Position

As of 31 December 2011, the Company's financial liabilities totalled LTL 641 m and those of the Group LTL 643 m. As of the period end, Kauno energetikos remontas UAB had equipment and vehicle financial lease liabilities totalling LTL 0.58 m. Liabilities of Energijos tiekimas UAB to the bank under an overdraft agreement were LTL 1.17 m as of year end.

As of 31 December 2011, the Company carried a LTL 6.5 m loan made to Kauno energetikos remontas UAB.

The main changes in the balance sheet of the Company and the Group in 2011 compared with 2010 are related to the increase in non-current assets and grants.

STATEMENT OF COMPREHENSIVE INCOME

Income

The company's income structure changed due to structural changes in the group. In August 2010, AB Lietuvos elektrinė became a subsidiary of AB Lietuvos energija, and in August 2011, the former AB Lietuvos energija and AB Lietuvos elektrinė were reorganised by merger. In the financial statements of 2010, performance of AB Lietuvos elektrinė was consolidated as of September, i.e. for four months of 2010. These changes caused an increase in the company's income in 2011, as compared to 2010.

In 2011, the company's income totalled LTL 1,389 million. The major share of income is comprised of income from electricity sales and export, balancing electricity and public interest services.

The company's income from the lease and maintenance of transmission grid, IT system infrastructure and support, lease of immovable property and accommodation in 2010 is attributed to discontinued operations.

Costs

In 2011, costs of the Company have increased due to structural changes as well. The operating costs attributable to the operations separated from the Company are assigned to discontinued operations.

In 2011, costs incurred by the Company total LTL 1,373.9 m and those incurred by the Group total LTL 1,416.3 m. Costs of purchasing electricity and related services and of gas for electricity generation account for the largest part of the costs of the Company (LTL 1,160.1 m or 84.4 %) and of the Group (LTL 1,160.3 m or 81.9 %). Depreciation and amortisation costs of the Company and the Group amounted to LTL 57.8 m and LTL 60.5 m respectively.

The Company incurred costs of LTL 63.3 m due to the drop in the market prices for pollution permits in 2011.

Operating costs of the Group excluding purchases related to electricity and its generation, depreciation and amortisation costs, and pollution permits' revaluation costs amounted to LTL 123,2 m in 2011 including LTL 75.9 m as costs incurred by the Company.

Profit

In 2011, gross profit of the Group amounts to LTL 2.3 m and net profit including discontinued operations is LTL1.5 m as determined according to the International Financial Reporting Standards (IFRS).

The Company earned net profit of LTL 10.8 m. Kauno energetikos remontas UAB earned net profit of LTL 1.7 m, Energijos tiekimas UAB LTL 4.9 m, and Data Logistics Center UAB LTL 4.4 m in 2011.

Cash Flow Statement

In 2011, net cash flows from operations of the Company amounted to LTL 93.4 m and those of the Group to LTL 106.4 m, compared with LTL 244 m for the Company and LTL 295.1 m for the Group in 2010.

In 2011, the Group's net cash flows from investments amounted to LTL 141.1 m (2010: LTL 316.4 m), while its net cash flows from financial activities amounted to LTL 4.3 m (2010: LTL 27.4 m). Payment of dividend has influenced the cash flows from financial activities considerably.

In terms of financial and investment activities, the net cash flow of the Company decreaed to LTL 67.5 m in 2011 compared with 2010 (the Group: to LTL 39.1 m.).

4. HUMAN RESOURCE POLICY

The Lietuvos Energija AB human resource policy was largely impacted by the August 1, 2011 reorganisation, by which Lietuvos Energija AB and Lietuvos Elektrinė AB were merged.

The attitude of the employees towards the changes taking place and the organisational culture of the merged companies are very different. The formation of a new, uniform organisational culture has become the main challenge in the area of human resource management. Much attention is being paid to the strengthening of internal communication and cooperation, employee motivation, the development of professional skills and increasing operational efficiency.

In both companies prior to the reorganisation, and in the new company after the reorganisation, operational processes were reviewed and streamlined, duplication of functions was eliminated, non-core functions were outsourced to external contractors and service providers, and administration costs were cut. For this reason, the number of employees in the reorganised companies and in the newly established Lietuvos Energija AB decreased in 2011 (Fig. 1).

In the quest for more efficient and transparent operations, and based on the successful experience of other countries, it has been decided to outsource repair works at the Lithuanian Power Plant (LPP) and the Kruonis Hydro Pumped Storage Plant (Kruonis HPSP). As of July 18, 2011, maintenance of these power plants has been entrusted to tender winner Kauno Energetikos Remontas UAB.

Through collaboration of employers, employees, and the trade unions operating in the company, Lithuanian Power Plant and Kruonis HPSP repair unit employees were offered jobs at Kauno Energetikos Remontas UAB. Particularly favourable conditions were created for this: employees were given the opportunity to retain their total work record, annual leave, and current salary for one year from the date of the employment contract. Furthermore, Lietuvos Energija AB pledged to pay out salaries if Kauno Energetikos Remontas UAB was to fail to fulfil payment obligations to the employees. In addition, Kauno Energetikos Remontas UAB stipulated not to transfer employees to other workplaces or terminate their employment contracts for the period of one year without the consent thereof. 15 of the company's employees took advantage of this offer. The remaining Lithuanian Power Plant and Kruonis HPSP repair unit employees terminated their employment with the company by mutual agreement, and received severance pay in accordance with the labour laws of the Republic of Lithuania.

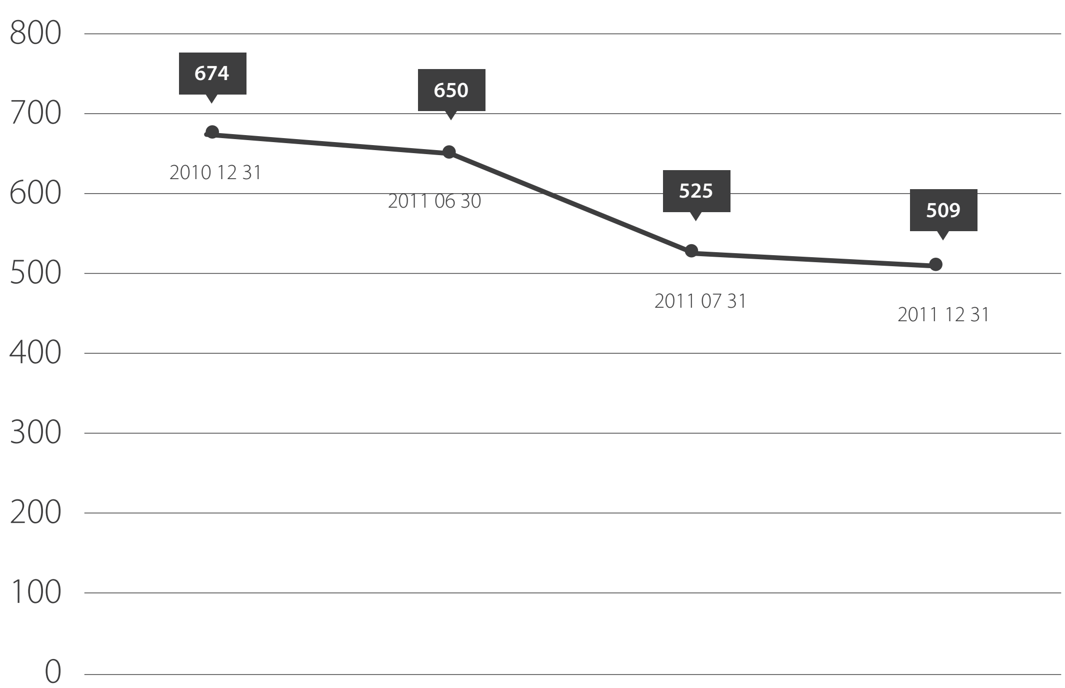


Fig. 1. Number of employees prior to and after reorganisation

All amounts in LTL'000 unless stated otherwise

At the end of 2011, the company had 509 employees (including employees on parental leave), of which 56% were specialists and line managers, 42% were workers, and 2% were managers. Data regarding the structure of employees and average salary by category can be found in the table below:

Structure of employees by category	Management	Specialists and line managers	Workers	Total number of employees
Lietuvos Energija AB, number of employees as of 31 Dec 2011	11	285	213	509
Average salary, LTL	9515	3970	2840	

Men account for 79%, and women for 21%, of the company's total employees. 36% of the employees have tertiary education, 16% have post-secondary education, and 48% have vocational secondary education.

Employee structure by education	Tertiary	Post-secondary	Secondary / vocational secondary	Total number of employees
Lietuvos Energija AB, number of employees as of 31 Dec 2011	183	83	243	509

In 2011, the majority of the company's employees were between the ages of 35 and 54, with a record of service within the company of 10 years or more. These are highly qualified and experienced specialists, forming the core of the company's production units, where knowledge and experience play a key role.

22% of the employees in 2011 were between 25 and 34 years old, with a record of service within the company of 10 years or less (Fig. 2 and 3). The majority of these employees work in administration and the Electricity Wholesale Trade Division.

Fig. 2. Structure of employees by age

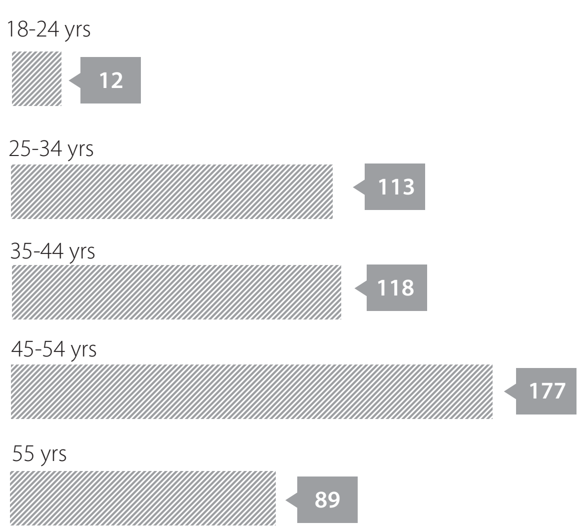
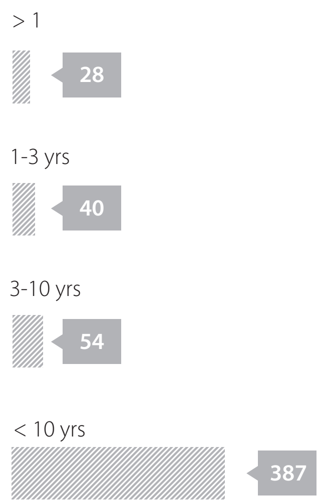


Fig. 3. Structure of employees by service record



At the end of 2011, 34 of the company's employees were of pension age, or had three or less years remaining until pension age. These are highly qualified and experienced specialists, thus it is important that they transfer their knowledge and experience to younger employees. The company intends to coordinate the process of transferring knowledge of pre-pension employees with the help of the company's Competence Model, which was launched in 2011. In creating this model, it is established which professional skills are necessary for successful business operations, which of these skills the employees already sufficiently have, and which they are lacking or will begin to lack in the near future. Then an action plan is drawn up to ensure that said competencies are retained or acquired. The Competence Model will be linked to the long-term corporate strategy in order to foresee and satisfy the need for specific skills that may arise during a certain period. Upon completing the Competence Model (planned completion in mid-2012), the processes of human resource planning and improvement of professional skills will become clearer and more effective.

In order to attract skilled, young specialists who will in due course replace retired staff, the company actively collaborates with educational establishments and offers internships for university and vocational school students. In 2011, the company participated in Career Days at Kaunas University of Technology and ISM University of Management and Economics. In 2011, 28 university and college students completed internships at the company, of which two were later offered permanent employment with the company.

Lietuvos Energija implemented occupational health and safety management system OHSAS 18001:2007

On September 6, 2011, Lietuvos Energija, AB received certification of its occupational health and safety management system OHSAS 18001:2007 / LST 1977:2008. By granting this certificate Bureau Veritas confirmed that it assessed the Company's management system and established that it was in compliance with the management system standards. The certificate proves that the Company undertakes to consistently follow work safety and occupational health requirements in its everyday activity and shows that the Company and its authorities care about employees and safe working environment.

EMPLOYEES OF THE GROUP

- Lietuvos Energija AB Group, which consists of Lietuvos Energija AB and its subsidiaries – UAB Kauno Energetikos Remontas, UAB Energijos Tiekimas and UAB Technologijų Ir Inovacijų Centras – and indirectly controlled companies – UAB Data Logistics Center, UAB Gotlitas and VšĮ Respublikinis Energetikų Mokymo Centras – employed 1 179 people at the end of 2011. Lietuvos Energija AB was staffed by 509 employees (including those on parental leave), UAB Kauno Energetikos Remontas had 277 employees, Energijos Tiekimas UAB 15 employees, UAB Technologijų Ir Inovacijų Centras 226 employees, UAB Data Logistics Center 7 employees and VšĮ Respublikinis Energetikų Mokymo Centras 145 employees.

All amounts in LTL'000 unless stated otherwise

- In 2011, workers made up 39 % of the Group's employees, while specialists and line managers accounted for 58%, and the remaining 3% were managers.

- Men account for 80%, and women for 20%.

Structure of employees by category	Management	Specialists and line managers	Workers	Total number of employees
Lietuvos energija, AB	11	285	213	509
Energijos tiekimas UAB	2	13	-	15
UAB „Kauno energetikos remontas"	7	86	184	277
UAB Technologijų ir inovacijų centras	8	212	6	226
UAB „Data Logistics Center"	1	6	-	7
VŠĮ Respublikinis energetikų mokymo centras	2	143	-	145
Total:	31	745	397	1179

5. PROTECTION OF THE ENVIRONMENT

Lietuvos energija, AB as a responsible company respects the environment in its operations, sparingly uses natural resources, introduces new environmentally friendly technologies, complies with the environmental laws and regulations, and implements preventive measures to reduce adverse impact upon the environment in a professional manner.

Environmental protection issues most relevant to the Company include the safe operation of facilities, safe use of substances dangerous to the environment, waste management, ensuring that changes in the water levels in the Kaunas Lagoon and the Nemunas River downstream the Kaunas HPP are within the permissible limits etc.

CONSTRUCTION OF THE COMBINED-CYCLE GAS TURBINE UNIT AT THE LITHUANIAN POWER PLANT

Iberdrola Ingenieria y Construccion, S.A.U.a Spanish company which is the general contractor in the construction of the combined-cycle unit at LEL, has completed over 95% of construction works by the end of 2011. The new unit will be less polluting to the environment and will use the energy value of fuel for power generation more effectively. The contractor Iberdrola Ingenieria y Construccion, S.A.U. is responsible for the prevention and resolution of environmental problems in accordance with the environmental protection plan drawn up for the construction project. The plan contains measures to be implemented by the contractor in order to minimise or eliminate the impact of construction works on the environment.

Respect for neighbours

Access roads leading to construction sites, used by heavy vehicles, are cleaned and maintained on a regular basis, including cleaning of snow in winter. Signs showing the way to the site have been erected on the roads so that the drivers can find the way easily; construction materials and equipment are delivered to the site only in day time.

Preservation of natural environment

Construction waste is managed according to the relevant best practices; waste management protocols are drawn up and updated regularly. In order to preserve nature, a site management plan was drawn up in the designing phase. The measures contained in the plan will be implemented on completion of construction works in order to restore the original landscape.

Protection of soil and groundwater

In order to protect soil and groundwater against contamination, all construction materials and equipment are stored in facilities with concrete-covered floors. Contaminated soil is removed by a licensed company. Where possible, the removed upper soil layer, containing the highest concentrations of organic matter and microorganisms, is used in site management works.

MODERNISATION OF THE KAUNAS HPP

The Kaunas HPP has successfully completed the rehabilitation and modernisation project, which enabled the company to abandon the reporting and paying of taxes on continuous pollution sources.

Waste management

Waste generated by Lietuvos energija, AB and its divisions is managed by hiring companies holding licences to carry out waste management activities. The main types of hazardous waste include residual liquid fuel ash, insulation materials containing asbestos, oil-contaminated cloth, developers, filter materials, fluorescent lamps, oils, oily water etc.

In 2011, 79.7 t of hazardous waste and 267 t of ferrous metal scrap were collected by the Lithuanian Power Plant for processing. Domestic waste collected in the territory of the company is removed by a special-purpose entity under a contract; approx. 350 m^3 of domestic waste was generated in 2011. Paper and cardboard waste is delivered to a recycling company.

In 2011, 5.8 t of hazardous waste and 39.4 t of ferrous metal scrap were collected by the Kaunas HPP for processing. Domestic waste collected in the territory of the company is removed by a special-purpose entity under a contract; approx. 8 m^3 of domestic waste was generated. Paper and cardboard waste is delivered to a recycling company.

12.7 t of hazardous waste was collected by the Kruonis HPSP for processing. Domestic waste collected in the territory of the company is removed by a special-purpose entity under a contract; approx. 69 t of domestic waste was generated. Paper and cardboard waste is delivered to a recycling company.

WASTEWATER MANAGEMENT

Compliance with the permissible limits of pollution by continuous pollution sources (sewage) established in the Integrated Pollution Prevention and Control Permit and the Wastewater Management Regulations is monitored on a regular basis. Maintenance of stormwater and domestic wastewater treatment facilities is carried out regularly (regeneration and change of filters, removal of sludge etc.), with the maintenance services purchased from specialised companies

Results of the investigations conducted in 2011 show that the maximum permissible/projected/desirable values of surface (storm) water, domestic wastewater, and industrial wastewater pollution as stated in the IPPC permits issued to the LEL, Kruonis HPSP and Kaunas HPP were not exceeded.

The LEL has installed a metering unit for the control of surface wastewater released into the Strėva River. The readings of the metering unit will be used for the calculation of pollution taxes (based on actual discharged wastewater quantities and actual pollution).

PREVENTIVE MEASURES TO ENSURE SAFE ENVIRONMENT

Divisions of Lietuvos energija, AB comply with the requirements for the air, surface waters, groundwater and soil pollution monitoring and protection set in the Integrated Pollution Prevention and Control Permits (IPPC permits). Calculations of pollution from continuous and mobile pollution sources are made, recording of chemical substances is performed, and internal audits of chemicals and preparations used and of waste and wastewater generated are conducted on a regular basis.

Reconstruction of the Kaunas HPP has considerably reduced environmental risks as old oil types used in the hydrolifting equipment was replaced with environmentally-friendly oil and the dam heating system was filled with a non-freezing environmentally-friendly liquid. Safe operation of the hydro turbines is ensured by the new design – no oil is released into the Nemunas River. Litter collection equipment has been installed upstream the hydro units. The efficiency of treatment of mechanical pollutants discharged into the Nemunas River upstream the Kaunas HPP is as high as 90%.

Sweco UAB prepared a project on remediation of the contaminated area of the Lithuanian Power Plant (ash collection area). The implementation of the project will involve the formation of ash piles covered by soil and the installation of a new emergency spillage tank. It is projected that the remediation works will be started in 2012.

The Lithuanian Power Plant implemented an automated air pollution monitoring system for boiler 8B. The system, which complies with LST EN 14181, ensures control over compliance with the limit air pollution values.

In 2011, a decision was adopted to implement a project on the installation of modern process water treatment facilities, which will reduce the process water losses up to 20%. The installation will be completed by 2014.

NEW INSTALLATIONS USING RENEWABLE ENERGY RESOURCES

In June 2011, a solar energy facility was put into operation at the Kruonis HPSP. This is the largest solar energy system in Lithuania. The solar energy collector battery was installed on the roof of the electrode boiler house of the power plant. The new system is both environmentally friendly and economical. In 2011, 37 MWh of heat energy generated by this installation was used for the production of hot water. Now the hot water requirements of the Kruonis HPSP in the warm season are fully met by the solar energy.

II INFORMATION ABOUT SECURITIES, AUTHORISED CAPITAL AND MEMBERS OF MANAGEMENT BODIES OF THE ISSUER

1. INFORMATION ABOUT SECURITIES OF THE ISSUER

- The authorised capital of Lietuvos energija, AB amounts to LTL 635,083,615 and has been divided into 635,083,615 ordinary registered shares of one Litas par value. All the shares have been fully paid for. On 1 September 2011, shares of Lietuvos energija, AB were listed on the Official Trading List of NASDAQ OMX Vilnius. The shares of the Company are traded on NASDAQ OMX Vilnius Securities Exchange ("VSE").
- As of 31 December 2011, the Company has 635,083,615 ordinary registered shares of one Litas par value in issue.
- ISIN code LT0000128571.
- Abbreviation of securities LNR1L.
- Shares of the Company have not been traded in other regulated markets.
- All the shares of the Company are ordinary registered shares of the same class and grant equal rights to their holders.
- The Company did not acquire or transfer own shares during the accounting period.
- The Company has not acquired its own shares. No subsidiary has acquired shares of the Company either.
- Structure of the authorised capital (table below).

Type of shares	Number of shares	Par value, LTL	Sum of par values, LTL	% of authorised capital
Ordinary registered shares	635,083,615	1	635,083,615	100,00

The Company's highest stock exchange trading session price was LTL 0.499 per share and the lowest price – LTL 0.330 per share in 2011. Over the period from the start of trading in the Company's shares until 31 December 2011, the share turnover in units was 304,320.

On 29 April 2011, the Ordinary General Shareholders Meeting of AB Lietuvos energija passed a decision to pay dividends of LTL 0.182 per share from the profit brought forward which accumulated by 1 January 2011. The amount of dividends paid by the Company in 2011 accounts for LTL 89.05 million.

Information about agreements with intermediaries in public circulation of securities

The Issuer has concluded an agreement on keeping of accounting for the Issuer's securities and management of personal securities accounts with Swedbank, AB. The term of the agreement is 31 December 2011, with an option for renewal until 31 December 2012.

Agreement with financial brokers and/or credit institutions providing investment services and/or carrying our investment activities

On 21 December 2010, the Company and Swedbank, AB concluded an agreement on keeping of accounting for the Issuer's securities. The term of the agreement is 31 December 2011, with an option for renewal until 31 December 2012.

Restrictions on transfer of securities

No restrictions on transfer of securities were applied to the Company.

Rights and responsibilities attached to the class of shares

An ordinary registered share grants its owner (shareholder) the following property rights:

- receive part of the Company's profit (dividend);
- receive part of the assets of the Company under liquidation;
- receive shares free of charge when the authorised capital is being increased from the Company's funds save for exceptions established in the Republic of Lithuania Law on Companies;
- acquire shares or convertible debentures issued by the Company on pre-emption basis save for the case when the general meeting of shareholders decides to withdraw this right for all the shareholders according to the procedure established by save for exceptions established in the Republic of Lithuania Law on Companies;
- lend money to the Company in the manner permitted by the law, however, where the Company borrows from the shareholders it may not use its property as security for the loan. Where the Company borrows from its shareholders, the interest rate may not exceed the average interest rate applied by commercial banks in the place of residence or in the place of business of the lender as of the date of the agreement. In such a case the Company and the shareholders may not agree on higher interest rates;
- transfer all or part of his shares to other persons;
- demand that other shareholders sell their shares to him on a mandatory basis or buy shares from him on a mandatory basis in the cases and according to the procedure established by the Law on Securities Market;
- other property rights provided for by the laws.

An ordinary registered share grants its owner (shareholder) the following personal non-property rights:

- take part in the general meetings of shareholders;
- vote at the general meetings of shareholders using the votes attached to the shares; one vote if attached to an ordinary registered share;
- receive information about the Company to the extent established by the law;
- file a lawsuit against the Company for the damage done by non-fulfilment or improper fulfilment of duties, provided for in the laws and the Articles of Association, by the Head of the Company and members of the Board of the Company and file a lawsuit in other cases established in the law;
- other non-property rights provided for by the laws.

2. SHAREHOLDERS

Total number of shareholders: 6,589. List of shareholders whose shares account for more than 5% of Lietuvos energija, AB authorised capital as of 31 December 2011:

Name	Type of shares	Number of shares	% of authorised capital	% of voting rights
UAB „Visagino atominė elektrinė" Business ID 301844044, Žvejų g. 14A, Vilnius	Ordinary registered shares	610 515 512	96,13	96,13

Shareholders having special control rights and description of the rights

Neither shareholder of Lietuvos energija, AB has special control rights. All the shareholders of the Company have equal rights (property and non-property rights) provided for in the Republic of Lithuania Law on Companies and the Articles of Association of the Company.

Restrictions on voting rights

The Group has imposed no restrictions on voting rights.

Any agreements between shareholders which are known to the Issuer and due to which transfer of securities and/or voting rights can be restricted

There are no agreements between shareholders of Lietuvos energija, AB due to which transfer of securities and/or voting rights can be restricted.

Procedure for amending the Articles of Association

Articles of Association of the Company and its subsidiaries may only be amended by the general meeting of shareholders.

Management bodies of the Company:

- The general meeting of shareholders;
- the Board;
- the CEO.

The Board is the supreme standing body of the Company. The scope of competence and the procedure for the adoption of decisions and election ad replacement of members are established by the laws, other legal acts and the Articles of Association.

The Board consisting of 5 (five) members is elected by the general meeting of shareholders for 4 (four) years. The Board elects its chairman from among its members. In case if the Board is recalled, resigns or ceases to perform its duties prior to the end of office, the new board is elected for the remaining period of the term of office of the Board. Where individual members of the Board are elected, they are elected until the end of term of office of the present Board.

The shareholder (or his/her representative) putting up a candidate for the Board member's position must submit to the general meeting of shareholders written explanations about qualifications of the candidate, his/her experience in managing positions, and fitness for the position of the Board member.

The Board of the Company adopts decisions on the Company's acting as a founder of a legal person; on transfer of any shares in the Company or votes attached thereto to third parties and on restrictions thereon; on formation or termination of branches and representatives offices of the Company; on issue of debentures; on disposal of plants and facilities having strategic significance for national security as well as other facilities of the Company as established in the law; on conclusion of transactions with the value exceeding LTL 10 m; in certain cases the Board must obtain consent of the general meeting of shareholders prior to adopting a decision.

The Board elects and recalls the Head of the Company. The Company is headed by the General Manager who organises current operations of the Company and performs other functions established in the laws and the Articles of Association

According to the Republic of Lithuania Law on Audit, a public-interest enterprise which is a subsidiary and whose financial statements are consolidated, may be exempted from the requirements to form an audit committee, if such committee has been formed by the controlling company. As Visagino atominė elektrinė UAB – the controlling company has an audit committee, a separate audit committee of the Company is neither mandatory nor necessary.

3. MEMBERS OF MANAGEMENT BODIES AND THEIR PARTICIPATION IN THE ISSUER'S AUTHORISED CAPITAL

Position	Name and personal ID	Start date	End date	No of shares of the Issuer held
The Board				
Member of the Board	Arvydas Darulis	2010-07-21	2011-12-12	-
Member of the Board	Kęstutis Žilėnas	2010-04-30	to date	-
Member of the Board	Aloyzas Vitkauskas	2011-01-19	to date	-
Member of the Board	Šarūnas Vasiliauskas	2009-10-23	2011-10-16	-
Member of the Board	Dalius Misiūnas	2011-03-17	to date	-
Member of the Board	Sonata Matulevičienė	2011-12-12	to date	-
Member of the Board	Rimantas Vaitkus	2011-12-12	to date	-
Member of the Board	Aloyzas Koryzna	2009-10-23	2011-03-17	-
The Administration				
CEO	Dalius Misiūnas	2011-02-12	to date	-
Chief Financier/Head of Accounting Division	Giedruolė Guobienė	2011-08-01	to date	-
Chief Financier	Giedruolė Guobienė	2010-12-01	2011-07-31	-
General Manager	Aloyzas Koryzna	2009-06-23	2011-02-11	-

Information on amounts paid, other assets transferred and guarantees provided by the Issuer to these persons (total amounts and average amounts per member of a collective management body, general manager and chief financier)

	Amounts Jan – Dec 2011, LTL	Assets and guarantees in 2011, LTL	Total, LTL
Per member of the Board on average	323,303		323,303
To all members of the Board collectively	323,303		323,303
To CEO	323,303		323,303
To Chief Financier	94,011		94,011

Any agreements between the Issuer and members of its bodies / employees providing for compensation in case of resignation or dismissal without a valid reason or redundancy due to change in control of the Issuer

None

Issuers of equity securities must also present information on major related party transactions specifying the amounts of transactions, nature of related-party relationship and other information on the transactions required for understanding financial position of the Company if such transactions are materials or were concluded on a basis other than arms-length basis. Information on individual transactions may be generalised based on transaction types except for cases where, in order to understand the impact of the related-party transactions on the Company's financial position, detailed information must be presented. "Related party" has the same meaning as in the accounting standards applied by the Issuer

Related party transactions are disclosed in Note 34 to the Financial Statements for 2011.

Any significant agreements to which the Issuer is a party and which would take effect, change or cease in case of change in the Issuer's control. Impact of such transactions except for cases where disclosure would cause considerable damage to the Issue due to nature of the agreements

None

5. MAIN FEATURES OF THE INTERNAL CONTROL SYSTEM AND THE RISK MANAGEMENT SYSTEM

Every month the Company receives financial reports from its subsidiaries for analysis. The Company consolidates financial statements of its subsidiaries. The Chief Financier of the Company is responsible for the proper drawing up and consolidation of financial statements and for the timely and correct collection of data from the Group's companies. The drawing up of the Company's financial statements and the internal control and financial risk management systems are managed according to the provisions of relevant legal acts.

POLITICAL RISK

Operations of the Company are governed by the Republic of Lithuania Law on Electricity and the related regulations. Amendments to this law may affect the operations and results of the Company. Decisions on electricity pricing are adopted by the State Commission on Control of Prices and Energy, therefore, result of the Company's operations may depend on its decisions.

FINANCIAL RISKS

The Group's companies are exposed to financial risks in their operations including credit risk, liquidity risk and market risk (foreign currency risk, interest rate risk with respect to fair value and cash flows, securities risk). By managing these risks the Group's companies seek to minimise the effects of the factors that could potentially have an adverse impact on the financial results of the Group and the Company.

CREDIT RISK

Credit risk related to accounts receivable is limited as key customers of the Company are large and reliable companies. Credit risk is managed through continuous monitoring.

Credits risk related to cash at banks is limited as both the Group and the Company conduct operations through banks having high credit ratings given by foreign rating agencies.

LIQUIDITY RISK

Liquidity risk is managed by planning the movements of cash flows of the Group's companies. Cash flow forecasts are made in order to minimise liquidity risk. Overdraft agreements and credit line agreements are used for short-term balancing of cash flows (payments and income).

The Company's liquidity ratio (current assets/current liabilities) and quick ratio (current assets-inventories/current liabilities) are 1.48 and >0.96 respectively as of 31 December 2011. The Group's liquidity ratio (current assets/current liabilities) and quick ratio (current assets-inventories/current liabilities) are 1.5 and 1.03 respectively as of 31 December 2011.

MARKET RISK

Income and cash flows of the Group companies are influenced by fluctuations of market interest rates as all the loans of the Group companies as of 31 December 2011 are variable interest rate loans. Increase in interest-rate risk mainly depends on long-term loans. The variable interest rates are linked to LIBOR EUR. The Company has made loans to the Group's companies at variable interest rates. The Company has concluded an agreement on future contracts for tradable pollution permits, therefore, it is exposed to risk of changes in the pollution permits' prices. A record drop in these prices at the end of 2011 has had a negative impact on the annual performance indicators of the Company.

The Group's companies have concluded no interest rate swaps in 2011.

FOREIGN CURRENCY EXCHANGE RISK

In order to manage foreign currency risk the Group concludes credit agreements in EUR or LTL only. The currencies of purchase and sale agreements concluded by the Company are EUR and LTL as well.

On 2 February 2002 the Litas was pegged to the Euro. Therefore, equity of the Company and of the Group is not significantly affected by currency exchange rate fluctuations.

The Group companies are not exposed to significant concentration of foreign currency risk, therefore, no financial instruments were used for managing foreign currency risk in 2011.

SECURITIES RISK

The Company has not acquired any securities, hence no security price risk.

TECHNICAL AND PRODUCTION RISKS

Baltolink UAB conducted a risk management study for Lietuvos energija, AB, drew up the Register of Risks, and provided recommendations for risk management.

Kaunas Hydroelectric Power Plant (HPP). Upon reconstruction of the plant, measurements of noise and electromagnetic field were made at work places. Strength of electromagnetic field was measured at 14 work places and it was established that its values are lower than the limit values. Noise levels were measured at 7 work places and it was established that they are lower than prior to the reconstruction. An assessment of occupational risks at workplaces has shown that the working conditions have improved. The new fire extinguishing system was installed and the ventilation system was reconstructed.

Reconstruction of the plant has reduced the risks to the environment as hazardous oil, which had been used previously, was replaced with environmentally friendly oil.

Lithuanian Power Plant (LPP). D & V Technical Services Limited conducted an assessment of operating risks at LPP in June – September 2011 including the identification of risks and their levels and the formulation of the risk management plan.

Kruonis Hydro Pumped Storage Plant (HPSP). An external audit of physical safety risks and design threats was made. It has been established that organisation of physical safety at the plant complies with order of the Minister of the Economy of the Republic of Lithuania No. 4-334 of 15 September 2004. As a result of implementation of reliable preventive measures, the maximum identified consequences of the collapse of the banks of the HPSP's top reservoir are only possible if the spring floods of the River Nemunas reach catastrophic levels, when the water level in the HPSP's reservoir is the highest. Dangerous substances and high voltage do not pose a threat to the environment.

The Company has been recognised as a company of strategic significance for national security, therefore, special conditions and requirements (special security measures) have been established for the Company. In order to ensure security of the facilities controlled by the Company, on 29 December 2011 Lietuvos energija, AB concluded a cooperation agreement with the Elektrėnai Police Commissariat of the Vilnius County Chief Police Commissariat pursuant to the provisions of the Law on Companies and Facilities of Strategic Significance for National Security and Other Entities Significant for National Security (Article 4(1)). The agreement provides for the parties' collaboration in the area of prevention, disclosure and investigation of criminal acts and other offences, in particular, by seeking to reduce the threats and risks to the protection of Lietuvos energija, AB's assets on preventive basis, to eliminate conditions and causes of such threats/risks, to disclose and investigate offences, to prepare joint projects on prevention of criminal acts, and to exchange information. It is planned that Kruonis HPSP and Kaunas HPP will conclude analogous agreements with respective local police commissariats.

ENVIRONMENTAL RISKS

The main environmental requirements set for the Company include the use of environmentally friendly materials, ensuring that the energy installations and structures are coordinated with the environment, and ensuring that changes in the water level in the Kaunas Lagoon and the Nemunas River downstream the Kaunas HPP are kept within the permissible range. At present the Company is fully compliant with the environmental regulations.

Reconstruction of the Kaunas HPP has reduced the environmental risk considerably as hazardous oil previously used in the installations was removed and replaced with environmentally-friendly oil. New design of hydroturbines ensures safe operations (prevents the release of oil into the Nemunas River). Any litter that comes with the river water is collected by the new litter catching equipment and removed for recovery.

III. OTHER INFORMATION

References and Additional Explanations on Figures Disclosed in the Consolidated Financial Statements

The Notes to the Financial Statements for 2011 contain detailed explanations of financial information.

Information about audits

Bendrovės auditorius - PricewaterhouseCoopers UAB
J. Jasinskio 16B | LT-01112 Vilnius | Lietuva

Data on the publicly announced information.

In 2010 the Company has published the following notices of material events:

03 01 2011	Regarding Amendment of Transfer and Acceptance Act between Public Company Lietuvos Energija and LITGRID Turtas AB, Dated December 1, 2010
07 01 2011	Regarding the revised agenda and the approval of proposed draft resolutions of extraordinary general shareholders' meeting of AB LIETUVOS ENERGIJA
20 01 2011	Resolutions Adopted During the Extraordinary General Shareholders Meeting of the Joint-stock company LIETUVOS ENERGIJA on January 19, 2011
11 02 2011	The Board of AB LIETUVOS ENERGIJA Approved Aloyzas Koryzna's Resignation
21 02 2011	The Boards of Directors of AB LIETUVOS ENERGIJA and AB KAUNO ENERGIJA have made the decisions regarding establishing a joint company
23 02 2011	Concerning the agenda and proposed draft resolutions of the extraordinary general shareholders meeting of joint-stock company LIETUVOS ENERGIJA
01 03 2011	Notification on the submission of interim financial statements
04 03 2011	NOTICE ON ESSENTIAL CIRCUMSTANCES
15 03 2011	Notification on the Decision of Public Company "Lietuvos Energija" to Address the Public Procurement Office on the Agreement to Terminate the Procurement Procedures of the Construction Works of the Fifth Unit of Kruonis PSP
17 03 2011	Regarding the decision of 17 March, 2011 made by the extraordinary general shareholders meeting of Joint-Stock Company LIETUVOS ENERGIJA
22 03 2011	Report by Joint-stock company „Lietuvos energija" on unaudited performance of 2010
25 03 2011	Regarding the termination of procurement procedures of construction works of the 5th unit of Kruonis HPSP
01 04 2011	Notice Regarding Financial Indicators to be Achieved by AB „Lietuvos energija" in 2011 as Proposed by Ministry of Finance
08 04 2011	Concerning the agenda and proposed resolutions of the ordinary general shareholders meeting of joint-stock company LIETUVOS ENERGIJA

29 04 2011	Resolutions Adopted During the Extraordinary General Shareholders Meeting of the Joint-stock company LIETUVOS ENERGIJA on April 29, 2011
12 05 2011	Notice on Drafted Reorganization Terms of Joint-stock Company LIETUVOS ENERGIJA and Joint-stock Company LIETUVOS ELEKTRINĖ
27 05 2011	AB Lietuvos energija 2011 Q1 Performance Result
13 06 2011	Regarding the agenda and proposed draft resolutions of extraordinary general meetings of shareholders of AB Lietuvos energija and Lietuvos energija, AB
04 07 2011	Regarding decisions adopted at the extraordinary general meeting of shareholders of public company LIETUVOS ENERGIJA on 4 July 2011
04 07 2011	Material Notice on Election of the Chairman of the Board and the Managing Director of LIETUVOS ENERGIJA, AB
05 07 2011	Regarding discontinuation of trading in the shares of AB Lietuvos energija.
05 07 2011	Regarding the envisaged action plan.
19 07 2011	LEN: regarding consideration of reorganization conditions equivalent to prospectus
20 07 2011	Company name of AB „LIETUVOS ENERGIJA" was changed to AB „LIETUVOS ENERGIJOS GAMYBA"
21 07 2011	Regarding the registration of Lietuvos energija, AB with the register of Legal Entities of the Republic of Lithuania
01 08 2011	Regarding issue of independent supply licence to Lietuvos energija, AB
01 08 2011	Notification regarding the transfer of assets, rights and duties of public company „Lietuvos energijos gamyba" to public company Lietuvos energija, AB
01 08 2011	Regarding issue of certificates, enabling maintenance and upkeep of energy facilities to Lietuvos energija, AB
02 08 2011	Regarding issue of permits, enabling performance of the licensed activities in electric energy sector to Lietuvos energija, AB
03 08 2011	Regarding information released today by media about the forecasted financial results of Lietuvos energija, AB.
29 08 2011	Regarding inclusion of the shares of Lietuvos energija, AB into the Official Trading List of NASDAQ OMX Vilnius.
31 08 2011	AB Lietuvos energija and AB Lietuvos elektrinė 2011 H1 Performance Result
03 10 2011	The Board of Lietuvos energija, AB has adopted a decision not to establish a joint enterprise with Kauno energija AB
21 11 2011	Regarding the agenda and proposed draft resolutions of extraordinary general meeting of shareholders of Lietuvos energija, AB
30 11 2011	Interim Financial results of Lietuvos energija, AB for the nine months of the year 2011
30 11 2011	Sėkmingai baigta „Lietuvos energijos" pertvarka: per 9 mėnesius sutaupyta 17 mln. Lt.
12 12 2011	Regarding decisions adopted at the extraordinary general meeting of shareholders of public company Lietuvos energija, AB on 12 December 2011
19 12 2011	Lietuvos energija, AB has concluded the preliminary contract regarding gas supply from the projected LNG Terminal
29 12 2011	Concerning the acquired shares of UAB Technologijų ir inovacijų centras and transferred shares of UAB Data Logistics Center

All information related to Announcements of the year 2011 is available at NASDAQ OMX Baltic website http://www.nasdaqomxbaltic.com/market/?pg=news&lang=en , the Company's website www.lietuvosenergija.lt and at the State Enterprise "Registrų centras"

Lietuvos energija, AB Notice of Compliance of the Code of Corporate Governance for Companies Listed on AB NASDAQ OMX Vilnius

According to Article 21(3) of the Republic of Lithuania Law on securities and Clause 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, this Notice issued by Lietuvos energija, AB discloses how the Company complies with the provisions of the Code of Corporate Governance approved by the Vilnius Securities Exchange for companies whose securities are traded in the regulated market.

Principles / Recommendations	Yes / No / Not applicable	Comments
Principle I: Main provisions		
The main purpose of the company should be the satisfaction of the shareholders' interests, at the same time ensuring constant increase in the value of shareholders' equity		
1.1. The company should formulate and publish the corporate development strategy and objectives, clearly stating how it plans to act in the interests of the shareholders and augment the shareholders' equity.	Yes	The main lines of development and the strategy of the Company are published in the Company's website and in the Annual Report of the Company.
1.2. Activities of the corporate management bodies should be focussed on the achievement of strategic goals taking account of the need to augment shareholders' equity.	Yes	The Board of the Company adopts the most important strategic decisions related to the increase in the shareholders' equity (optimisation of operating functions and structure of the Company; other actions increasing the operating efficiency and cutting of costs).
1.3. Corporate supervision and management bodies should closely cooperate in order to maximise benefits for the company and the shareholders.	Yes	The Company has the Internal Audit Department, which reports to the Board, and Head of the Company. These bodies collaborate in maximising benefits to the Company and the shareholders.
1.4. Corporate supervision and management bodies should ensure that rights and interests of other parties participating in or related to the company's operations are respected in addition to the rights and interests of the shareholders.	Yes	The bodies of the Company respect the rights and interests of the persons participating in and related to the Company's activities: 1. the Company collaborates and develops social partnership with representatives of the Company's employees. At present there are four trade unions in the Company. On 28 October 2011, the Company signed a new collective agreement. The Collective Agreement covers matters such as the work and rest time, remuneration for work, extra social benefits, health and safety at work, and social care; 2. the Company discharges its financial liabilities and other liabilities within the scope of the budget approved by the Board.

Principle II: Corporate governance system

The corporate governance system should ensure strategic management of the company, effective supervision over corporate management bodies, due balance and divisions of functions between corporate bodies, and safeguarding of shareholders' interests

2.1. Apart from the bodies mandatory under the Republic of Lithuania Law on Companies – the general meeting of shareholders and the head of the company, it is recommended that both collective supervisory body and collective management body is formed by the company. Formation of the said bodies enable a clear division of management and supervision functions in a company and accountability and control of the head of the company, which leads to a more effective and transparent corporate governance process.	Yes	According to the Articles of Association of the Company approved by the general meeting of shareholders on 4 July 2011, management bodies of the Company include the general meeting of shareholders, the Board and the Head of the Company.
2.2. The collective managerial body is responsible for the strategic management of the company and performance of other key corporate management functions. The collective supervisory body is responsible for the effective supervision of the corporate management bodies.	Yes	According to Clause 18 of the Articles of Association, the Board directs activities of the Company (analyses, considers and evaluates its operations and external environment, plans the Company's activities, adopts the most significant management decisions and exercises control over operations).
2.3. Should the company decide to form only one collective body, it is recommended that this body is a supervisory one, i. e. the supervisory council. The supervisory council is responsible for the effective supervision over the functions performed by the head of the company.	N/a	The Board is formed in the Company.
2.4. The collective supervisory body elected by the general meeting of shareholders should be formed and act according to the procedures laid down under Principles III and IV. Should the company decide to form a collective management body – the board – only, Principles III and IV should apply to the board to the extent to which this does not contradict the substance and purpose of this body.	Yes/No	Principles III and IV have not been fully implemented by the Company, however, the Company complies with all the legal provisions on the formation of a collective management body. It should also be noted that the core activities of the Company include the power generation, supply, import, export and trade, therefore, its operations are strictly regulated by legal acts and supervised by relevant authorities (State Commission on Control of Prices and Energy etc.). This ensures that transparent and effective decisions are adopted and the principles of non-discrimination of customers, reduction of costs etc. are implemented). No Supervisory Council of the Company has been formed, please see comment on p. 2.1.

2.5. The numbers of members of the corporate management body (executive directors) and supervision body (consulting directors) should be such that an individual or a small group of individuals is/are not able to dominate the decision-adoption process.	Yes	According to Clause 33 of the Articles of Association of the Company, the Board consists of 5 (five) members. In the Company's view, such number is sufficient and ensures transparent and effective decision-adoption process. The Board passes resolutions at its meetings. A meeting of the Board is deemed valid and the Board may pass resolutions if at least 4 (four) members of the Board are present. No Supervisory Council of the Company has been formed, please see comment on p. 2.1.
2.6. Consulting directors or members of the supervisory board should be appointed for a defined term, with the opportunity for individual re-election for a maximum term allowed by the Lithuanian legislation in order to ensure the growth in professional experience and sufficient re-approval of their status. In addition, dismissal should be provided for, however, this procedure should not be easier that the procedure for the dismissal of an executive director or a member of the board.	N/a	No Supervisory Council of the Company has been formed, please see comment on p. 2.1. The Board is elected for 4 (four) years. The term of office of the Board's members is the longest possible according to the Republic of Lithuania Law on Companies. The general meeting of shareholders may recall the Board as a whole or its individual members prior to the end of the term of office.
2.7. The chairman of a collective body elected by the general meeting of shareholders may be a person whose current or previous position is not an obstacle to independent and unbiased supervision. Where only the board and not the supervisory council is formed in the company, it is recommended that the chairman of the board and the head of the company are different persons. Former head of the company should not be immediately appointed as a chairman of a collective body elected by the general meeting of shareholders. Where the company decides not to follow these recommendations, information about measures taken to ensure unbiased supervision should be provided.	Yes	The Board of the Company and the Chairman of the Board are elected according to the provisions of the Republic of Lithuania Law on Companies. The Head of the Company has not been elected as the Chairman of the Board.

Principle III: Procedure for the formation of a collective body elected by the general meeting of shareholders

The procedure for the formation of a collective body elected by the general meeting of shareholders should ensure representation of interests of minority shareholders, accountability of the body to shareholders, and objective supervision over activities of the company and its management bodies

3.1. The mechanism of formation of a collective body (hereinafter for the purposes of this Principle – "collective body") elected by the general meeting of shareholders should ensure objective and unbiased supervision over corporate management bodies as well as proper representation of interests of minority shareholders.	Yes	According to Clause 37 of the Articles of Association of the Company, every candidate to members of the Board shall submit to the general meeting of shareholders a declaration of his/her interests, specifying any circumstances that may give rise to a conflict of interest between the candidate and the Company. The Board is elected by the general meeting of shareholders of the Company according to the provisions of the Republic of Lithuania Law on Companies.

3.2. Names, education information, qualifications, professional experience, information on current position, other important professional obligations and potential conflicts of interests of candidates to members of collective management bodies should be disclosed to the company's shareholders prior to the general meeting so that the shareholders have enough time to decide on the voting on the candidates. In addition, any circumstances that may affect the candidate's independence (a model list is provided in Recommendation 3.7) should be disclosed. The collective body should be informed about any subsequent changes in the information disclosed under this p. 3.2. The collective body should collect the disclosed information on members and include them in its annual report.	Yes	The Company has implemented this recommendation. Information about positions occupied or participation in other companies by the members of the Board is collected on a regular basis and is included in the Annual Report. Information about candidates for collective bodies is presented to the shareholders according to the procedure established by the laws prior to the start of the general meeting of shareholders,
3.3. Where a proposal is made for the election of a member of a collective management body, his competences necessary for the work in the body must be specified. In order that the shareholders and investors can assess whether the competences remain valid, in every annual report the collective body must include information on its composition and specific competences of its members related to their work in the body.	Yes	Information about working experience, positions held and other competence-related information on the candidates for collective bodies is presented to the general meeting of shareholders. Information about positions occupied or participation in other companies by the members of the Board is collected on a regular basis and is presented in the Annual Report and in the Company's website.
3.4. In order to maintain a proper balance of qualifications of members in a collective body, the composition of the body should be set in line with the structure and type of operations of the company and should be subjected to period review. The body should ensure that its members as a whole should possess comprehensive knowledge, views and experience for the proper performance of their tasks. Members of an audit committee as a whole should have latest knowledge and relevant experience in finance and accounting and/or audit of the listed companies. At least one of the members of payroll committee should have knowledge and experience in the wage setting policy.	Yes/No	According to the Law on Companies, the Board is elected and its members' qualifications is evaluated by the general meeting of shareholders. The Board itself may not determine its composition. It should be noted that the core activities of the Company include the power generation, supply, import, export and trade as well as the ensuring of energy security, and most members of the Board are experts in energy. Re Audit Committee – please see comment on p. 4.14. Re Remuneration Committee – please see comment on p. 4.13.
3.5. An individual programme aimed at familiarisation with the duties and organisation and operations of the company should be offered to every new member of a collective body. The body should carry out annual checks to determine the areas in which its members should refresh their skills and knowledge.	Yes/No	Up until now, there has been no need or practice in the Company for offering the newly elected members of the Board an individual programme on familiarisation with his/her duties and organisation and operations of the Company. It should be noted that the Board members are informed about the Company's operations on a regular basis – at the Board meetings and individually as requested by the member.

3.6. In order to ensure proper resolution of any conflicts of interests of members of a collective body, the body should contain sufficient number of independent members.	Yes/No	The Articles of Association of the Company does not include a provision to the effect that a certain number of the Board's members must be independent members. However, there is 1 (one) independent member of the Board (out of 5 (five)). The formation of the Board (and election of its independent members) falls within the scope of competence of the general meeting of shareholders.
3.7. A member of a collective body should be considered to be independent only if is not linked with the company, its controlling shareholder or administration of the company/shareholder by any business, kinship or other relations which give or could give rise to a conflict of interest and which could influence the member's views. As it is impossible to list all the cases when a member of a collective body may lose independence, in addition, relations and circumstances relate to the determination of independence may differ from company to company, and the best practice of resolution of the problem may form in time, an assessment of independence of the member should be based on the content and not the form of the relations and circumstances. Main criteria on which determination of the member's independence should be based: **1) he may not be executive director or member of the board of the company or an associated company (if the collective body elected by the general meeting of shareholders is a supervisory council) and may not have occupied such position during the past five years);** **2) he may not be employee of the company or an associated company and may not have occupied such position during the past three years except for cases when the member of the collective body is not part of top management and was elected to the body as a representative of employees;** **3) he must not be receiving or received significant additional remuneration from the company or an associated company except for remuneration received as a member of a collective body. Such additional remuneration includes participation in share options or other remuneration systems based on the operating results; this does not include compensation benefits under a pension plan (including deferred compensations) for previous work in the company (on condition that such benefit is not related in any way to subsequent positions);** **4) he may not be a controlling shareholder and may not represent such shareholder (control is determined according to Article 1(1) of Council Directive 83/349/EEC);** **5) he may nor have or have had in the previous years any significant business relations with the company or an associated company directly or as a partner, shareholder, director or senior manager of an entity having such relations. An entity is considered to be having business relations if it is an important supplier of goods or services**	Yes/No	No specific independence criteria have been set for members of the Board to date, as there has been no such need. Also please see comment on p. 3.6.

(including financial, legal, advisory and consulting services), significant customer or organisations receiving significant payments from the company or the group to which the company belongs; **6) he may not be and m ay not have been in the past three years a partner or employee of the current or previous external auditor of the company or an associated company;** **7) he may not be executive director or member of the board of another company in which the executive director or member of the company (in case of a supervisory council elected by the general meeting of shareholders) is a consulting director or member of a supervisory council, an may not have other significant relations with the company's executive directors that arise in the process of participation in the activities of other companies or bodies;** **8) he may not have occupied the position of a member of a collective body longer than 12 years;** **9) he may not be a member of the closest family of the executive director or a member of the board (in case of a supervisory council elected by the general meeting of shareholders) or of persons referred to in items 1 to 8 above. Close family includes spouses/partners, children and parents.**		
3.8. The content of the notion of independence is determined by the collective body itself. The body mat decide that a certain member cannot be considered independent due to particular personal or company-related circumstances, even though he meets all the independence criteria set in this Code.	No	Please see comment on p. 3.6.
3.9. Information on the conclusions drawn by the collective body in determining whether a member can be considered independent should be disclosed. Where appointment of a member of a collective body is proposed, the company should announce whether the member is considered independent. Where a member of the body does not meet any independence criteria set in this code, the company should announce reasons why it still considers that member independent. In addition, the company should state in every annual report which members of the collective body are considered independent.	No	Up until now, the Company has had no practice of publishing conclusions on the assessment of independence of the Board's members. Also please see comment on p. 3.6.
3.10. Where one or more of the independence criteria set out in this Code have not meet throughout the year, the company should announce reasons why a member of the collective body is considered independent. In order to ensure accuracy of information about independence, the company should demand that independent members would confirm their independence on a regular basis.	No	Please see comment on p. 3.9.
3.11. Independent members of a collective body may be remunerated for their work and attendance of meetings of the body out of the company's funds. The size of the remuneration should be approved by the general meeting of shareholders.	N/a	The members of the Board are not remunerated by the Company, therefore, this provision is not relevant to the Company.

Principle IV. Duties and responsibilities of a collective body elected by the general meeting of shareholders

The corporate governance system should ensure that the collective body elected by the general meeting of shareholders functions properly and effectively and the rights granted to the body should endure effective supervision over the corporate management bodies and protection of the shareholders' interests

4.1. The collective body elected by the general meeting of shareholders ("the collective body") should ensure integrity and transparency if the financial accounting and control system of the company. The collective body should constantly make recommendations to the company's management bodies and supervise and control their activities in the area of management of the company.	Yes	The Board of the Company submits to the general meeting of shareholders its feedback and proposals for the annual financial statements, the profit allocation project, the Annual Report and the activities of the Head of the Company. The Board also performs other functions of supervision over the Company and its management bodies falling within the scope of competence of the Board. According to the Articles of Association of the Company, the Board's functions do not include any additional functions related to the integrity and transparency of the financial accounting and control system.
4.2. Members of the collective body should act for the benefit and in the interests of the company and shareholders in good faith, carefully and responsibly, taking account of the employees' interests and public welfare. Independent members of a collective body should: a) maintain independence of their analyses, decision adoption and actions under any circumstances; b) do not seek and do not accept unjustified preferences that might compromise their independence; c) clearly express their objections in cases when, in their opinion, decision by the collective body may be harmful to the company. Where the collective body has adopted decisions with respect to which an independent member has serious doubts, in such a case the member should draw conclusions accordingly. In case of resignation of an independent member he should explain the reasons therefor in a letter to the collective body or audit committee and, if necessary, to a relevant external institution.	Yes No	All members of the Board act in good faith and protect interests of the Company. Independence of members of the Board is not evaluated, please see comments on p. 3.6 and 3.7.
4.3. Each member of a collective body should devote sufficient time and efforts to the performance of his duties in a collective body. Each member of a collective body should undertake to limit his other professional obligations (in particular the duties of a director of another company) so that they do not hinder the performance of his duties as a member of the collective body. If a member has attended less than one half of the meetings of the collective body during the company's financial year, the shareholders should be notified thereof.	Yes	Members of the Board take an active part in the meetings of the collective body. The statutory quorum was present at all the meetings of the Board in 2011. The participants in the meetings are recorded in the minutes.

4.4. Where decisions by the collective body may have different effects on different shareholders, the collective body must treat all the shareholders in good faith and without bias. It should ensure that the shareholders are duly informed about the company's affairs, strategies, risk management and resolution of conflicts of interest. The company must have clearly defined the role of the members of the collective body in the relations with shareholders and in their obligations to the shareholders.	Yes	The shareholders are informed about the Company's strategies, risk management and resolution of conflicts of interests according to the procedure established by the laws. The role of the Board's members in the communication with and obligations to the shareholders is determined according to provisions of the legal acts and Articles of Association of the Company.
4.5. It is recommended that transactions (except low value transactions or transactions concluded in the normal course of business of the company) between the company and its shareholders or members of supervisory or managerial bodies or other natural or legal persons that may have influence over the company's management should be certified by a collective body. Decision on the approval of such transactions should be deemed to be adopted only if the majority of the independent members of the collective body vote for it.	Yes / No No	Management bodies of the Company conclude and approve transactions according to provisions of the legal acts and Articles of Association of the Company. Independence of members of the Board is not evaluated, please see comments on p. 3.6. Clause 17.2 of the Articles of Association of the Company establishes that the general meeting of shareholders adopts decisions on agreements on the conditions of work for the Board, concluded with the members and the Chairman of the Board; Clause 37 establishes that the Board member should immediately notify the Company and the Board in writing of any new circumstances that may give rise to a conflict of interests between the member and the Company. Independence of members of the Board is not evaluated, please see comments on p. 3.6 and 3.7.
4.6. The collective body should be independent in adopting decisions that are significant for the company's activities and strategies. In addition, the collective body should be independent from management bodies of the company. Work and decisions by the collective body should not be influenced by the persons that elected it. The company should ensure that the collective body and its committees are provided with sufficient resources (including financial) necessary for the performance of their duties including the right to obtain – in particular from the employees of the company – all the requisite information and the right to approach external law, accounting or other professionals for advice on the matters falling within the scope of competence of the collective body and its committees. The remuneration committee, while using the consultants'/experts' services in order to get information about market standards on setting of remuneration rates, must ensure that the same consultant would not provide consulting on personnel division or executive director or members of management bodies of a related company at the same time.	Yes/No	The Board of the Company acts independently in adopting decisions of importance for the Company and its strategies. The Company furnishes the Board with resources necessary for its work (technical servicing of the Board's meetings, provision of the necessary information). No Remuneration Committee has been formed by the Company. Please see comment on p. 4.13.

4.7. Work of the collective body should be organised in such a way that independent members of the collective body would have significant influence in the most important areas with a high potential of conflicts of interest. Such areas include issues related to the appointment of directors, setting of remuneration to directors, and audit control over the company. Therefore, in the case where these issues fall within the scope of competence of a collective body, it is recommended that the collective body forms committees on appointment, remuneration and audit. The company should ensure that functions assigned to the appointments, remuneration and audit committees are performed, however, they may be combined and less than three committees may be formed. In such a case the company must provided a detailed explanation why an alternative approach was selected and how it complies with the objectives of the three individual committees, Where the collective body has a small number of members, the functions of the three committees may be performed by the collective body itself, provided that it meets the composition requirements set for the committees and the requisite information on this issue is disclosed. In such a case the provisions of this Code related to the said committees of the collective body (in particular, to their role, activities and transparency) should apply to the collective body as whole, where applicable.	Yes/No	According to the Articles of Association the Board adopts decisions on main matters. The Board elects and recalls the Head of the Company, sets his/her remuneration and other employment terms, approves his/her job regulations, gives incentives and imposes penalties. The Company has no Audit, Remuneration, or Appointment Committees. In the opinion of the Company, the work of the Board is effective and well organised and the Board can properly perform all the functions of such committees. According to the Republic of Lithuania Law on Audit, a public interest company which is a subsidiary and the financial statements of which are consolidated, may be exempted from the requirement to form the audit committee if such committee has been formed by the controlling company. The controlling company - Visagino atominė elektrinė UAB has the Audit Committee, so formation of an audit committee by the Company is not obligatory or necessary.
4.8. The main purpose of the committees is to increase efficiency of work of the collective body to ensure that decisions are adopted upon proper consideration and to assist in the organisation of work so that conflicts of interest do not influence decisions adopted by the collective body. The committees should act in an independent manner and adhere to their principles and provide to the collective body recommendations on decision-adoption by the collective body, however, the final decision shall be adopted by the collective body itself. The recommendation on the formation of committees is not aimed at narrowing the scope of competence of the collective body or delegate it to the committees. The collective body remains fully responsible for the decisions adopted within the scope of its competence.	Yes/No	Please see comments on p. 4.7, 4.12, 4.13, and 4.14.

4.9. Committees formed by the collective body should normally consist of at least three members. In companies whose collective body has a small number of members a committee may be formed of two persons by way of exception. The majority of the members of any committees should consist of independent members of the collective body. In case if no supervisory council is formed in the company, the salaries committee and the audit committee should be formed exclusively of consulting directors. In deciding on the chairman and members of a committee, account should be taken of the fact that membership of committees should be renewed and excessive trust should not be placed on any person.	Yes/No	Please see comments on p. 4.7, 4.12, 4.13 and 4.14.
4.10. Authorisations of any committee should be established by the collective body. Committees should perform their duties within the scope of their authorisations and inform the collective body about its activities and results on a regular basis. Authorisations of each committee, with the roles, rights and responsibilities defined, should be published at least once in a year (as part of the information that the company publishes on its management structure and practices every year). The annual report of the company should also include notices of published by the committees stating information about their composition, number of meetings and attendance by members during the past year as well as about main lines of activities. The audit committee should certify that is it satisfied with the independence of the audit process and briefly describe actions taken to arrive to this conclusion.	Yes/No	Please see comments on p. 4.7, 4.12, 4.13 and 4.14.
4.11. In order to ensure independence and objectivity of committees, members of the collective body that are not members of the committees should normally have the right to attend the meetings of the committee only subject to invitation by the committees, The committee may invite or demand that certain employees or experts attend the meetings. Chairman of each committee should be enabled to maintain direct relations with the shareholders. Cases when this should be done should be stated in the committee's regulations.	Yes/No	Please see comments on p. 4.7, 4.12, 4.13 and 4.14.

4.12-14. Appointments, Remuneration and Audit Committees. **4.12.1. The main functions of the appointments committee should be as follows** **1) select candidates to vacant positions of members of management bodies and recommend them to the collective body for consideration. The committee should assess the balance of skills, knowledge and experience in a management body, prepare a description of functions and abilities required for a specific position, and assess the time necessary for the discharge of obligations. The committee may also evaluate the candidates to members of the collective body proposed by the shareholders;** **2) on a regular basis, evaluate the structure, size, composition and activities of supervisory and management bodies, make recommendations for changes to the collective body;** **3) on a regular basis, evaluate skills, knowledge and experience of individual director and notify the collective body;** **4) devote sufficient attention to the continuity planning;** **5) review management bodies' policies on election and appointment of top management .**	Yes/No	No such committees have been formed in the Company, however, their functions are performed indirectly. Please see comments on p. 4.7, 4.12, 4.13 and 4.14.
4.12.2. The appointments committee should consider proposals received from other persons including administration and shareholders. Where issues related to executive directors or members of the board (where the collective body elected by the general meeting of shareholders is the supervisory council) and top management, the committee should consult the CEO, entitling him to make proposals to the committee.	Yes/No	Please see comments on p. 4.7, 4.12, 4.13 and 4.14.
4.15. Every year the collective body should make a self-assessment, which should include an assessment of the structure, organisation of work, and ability to act as a team of/by the collective body, an assessment of competence and efficiency of each member and committee of the body, and an assessment whether the body has achieved its objectives. The collective body should publish, at least once in a year (as part of information published annually by the company on its management structures and practices), relevant information on its internal organisation and operating procedures, specifying any material changes resulting from the self-assessment.	No	Up until now there has been no need or practice in the Company to make a formal self-assessment and to publish its results, as legal acts contain no such requirement. Activities of the Board are evaluated by the shareholders according to the procedure established by the law.

Principle V: Working procedures of collective bodies of the company

The working procedures of the collective supervisory and managerial bodies should ensure effective operation and decision-adoption by these bodies and encourage active cooperation between corporate bodies

5.1. Collective supervisory and managerial bodies of the company (for the purposes of this Principle, collective bodies include both supervisory and managerial bodies) are headed by chairmen. A chairman is responsible for the proper convening of meetings of a collective body. The chairman should ensure proper notification of all members of the body including the agenda of the meeting. He should also ensure proper chairing of the meetings, order at the meetings and working atmosphere during the meeting.	Yes	This recommendation has been implemented pursuant to the Regulations of the Board.
5.2. It is recommended that meeting of collective bodies of the company are convened at relevant intervals under an approved schedule. A company decides itself on the periodicity of the meetings, however, it is recommended that the periodicity should ensure continues resolution of key issues of corporate management. Meetings of the supervisory council should be convened at least quarterly and meetings of the board – at least monthly.	Yes	Meetings of the Board are held according to the annual schedule of meetings approved in advance. Normally at least 12 meetings are held every year.
5.3. Members of a collective body should be notified of a meeting in advance so that they have enough time to prepare for the consideration of issues at the meeting and the discussions are fruitful and followed by adoption of proper decisions. A notice of the meeting to the members of the collective body should be accompanied by any requisite materials related to the agenda. The agenda should not be amended or supplemented during the meeting except for cases when all the members of the body are present at the meeting or where issues material to the company must be urgently resolved.	Yes	According to the Regulations of the Board, the members of the Board and the invited persons are given a 10 days' notice of the meeting (unless a shorter term is not objected to), and are furnished with the information related to the agenda.
5.4. In order to coordinate work of collective bodies of the company and ensure an effective decision-adoption process, chairman of the collective supervisory and managerial bodies should agree on dates of meetings and agendas and cooperate closely in resolving other issues related to the company's management. Meetings of the supervisory council should be open to members of the board, in particular where issues related to recalling or liability of the latter or setting of remuneration for the latter are resolved.	N/a	Only the Board has been formed by the Company, therefore, the issue of coordination of collective management bodies is not relevant to the Company.

Principle VI: Unbiased treatment of shareholders and shareholders' rights

The corporate government system should ensure unbiased treatment of all shareholders including minority shareholders and foreign shareholders. The corporate management system should protect the shareholders' rights

6.1. It is recommended that the company's capital consists only of those shares that grant equal right in terms of voting, ownership, dividends etc. to their holders.	Yes	The authorised capital of the Company consists of ordinary registered shares of 1 litas par value. The shares grant equal property and non-property rights to their holders.
6.2. It is recommended that investors are afforded the opportunity of early (i. e. prior to purchase of shares) familiarisation with the rights attached to newly issued or existing shares.	Yes	The rights attached to the shares are specified in the Articles of Association of the Company, which are published in the Company's website.
6.3. Transactions that are material to the company and its shareholders such as transfer of the company's assets, investments, mortgage or other encumbrance should be approved by the general meeting of shareholders in advance. All shareholders should be afforded equal opportunities for familiarisation with and participation in the adoption of decisions important for the company including approval of the said transactions.	Yes	Clauses 17 and 29 of the Articles of Association establish the criteria for material transactions requiring approval of the general meeting of shareholders.
6.4. Procedures for the convening and holding of general meetings of shareholders should provide equal opportunities for the shareholders to take part in the meeting and should not infringe the shareholders' rights and interests. The selected place, date and time of the meeting should not prevent the shareholders from active participation in the meeting.	Yes	The place, date and time of the general meetings are determined in such a way that participation of all the shareholders is enabled. The shareholders are afforded the opportunity to familiarise themselves with the materials related to the meeting as established in legal acts.
6.5. In order to ensure the foreign shareholders' right to get conversant with the information, it is recommended that the documents prepared for the general meeting of shareholders, where possible, are published in advance in a publicly accessible website of the company in Lithuanian and English and/or other languages. The signed minutes of the meeting and/or decisions should also be published in a publicly accessible website of the company in Lithuanian and English and/or other languages. A document may be published on the company's website in a reduced scope if full publication could damage the company or trade secrets of the company would be disclosed.	Yes	Pursuant to the Law on Companies, the Company publishes draft decisions of the general meeting of shareholders, in Lithuanian and English, in its website. Decisions adopted by the general meeting of shareholders are published in the Company's website in Lithuanian and English. This information is also published, pursuant to the Articles of Association of the Company and other legal acts, in the electronic publication of NASDAQ OMX Vilnius and the Centre of Registers.

6.6. The shareholders should be provided the opportunity to vote at the general meeting by attending or not attending the meeting in person. There should be no obstacles for the shareholders to vote in advance by completing the general ballot.	Yes	The shareholders of the Company may exercise the right of participation in the general meeting of shareholders both in person and through a proxy, provided that the latter holds a properly executed power of attorney or has signed an agreement on the transfer of the voting right. The Company enables the shareholders to vote by completing a ballot as provided for by the Law on Companies.
6.7. In order to increase the shareholders' opportunities for participation in the general meetings, the companies should seek to more widely apply modern technologies and to enable the shareholders to attend and vote at the general meetings by means of electronic communications. In such cases security of the information transmission and the possibility of identification of the participants and voters must be ensured. Furthermore, companies should enable shareholders, in particular those residing abroad, to observe the general meetings by means of modern technologies.	No	If requested by the shareholders, the Company would enable them to vote using terminal telecommunications equipment, if technically feasible. This practice is not applied for the time being as this would require additional investments.

Principle VII: Avoiding and disclosing conflicts of interest

The corporate governance system should encourage members of the bodies to avoid conflicts of interests and ensure a transparent and effective mechanism of disclosing conflicts of interests of members of the bodies

7.1. A member of a managerial or supervisory body of the company should a void a situation where his personal interests conflict or may conflict with the company's interests. If such situation arises, the member should notify, within a reasonable time limit, other members of the same body or the body of the company that has elected him or the shareholders of the situation of conflict of interests, specifying the nature and, where possible, value of the interests.	Yes	The Company complies with these recommendations.
7.2. A member of a managerial or supervisory body of the company may not mix the corporate assets the use of which has not been specifically considered with him with his personal assets or use the asset or the information that he receives as a member of a collective body for personal or third-party benefit unless the general meeting of shareholders or another body of the company authorised by the meeting gives its consent.	Yes	The Company complies with these recommendations.

7.3. A member of a managerial or supervisory body of the company may conclude a transaction with the company having formed the relevant body. The shareholder must immediately notify the transaction (except for low value transactions or transactions concluded in the normal course of business of the company and on standard terms and conditions) to other members of the same body or the body that has elected him or the shareholders; the notice may be in writing or oral, with an entry in the minutes of the meeting. Recommendation 4.5 also applies to the transactions referred to above.	Yes	The Company complies with these recommendations.
7.4. A member of a managerial or supervisory body of the company should refrain from voting when decisions on transactions or other matters with which he is connected by personal or business interests are being adopted.	Yes	The member of the Board is not entitled to vote if a matter related to his/her work in the Board or to his/her responsibility is being resolved (p. 5.5 of the Regulations of the Board). In addition, according to legal acts, members of the Board must avoid situations when their personal interests contradict or can contradict the interests of the Company.

Principle VIII: Corporate remuneration policy

The remuneration policy and the procedure for approving, reviewing and publishing of remuneration for directors in place in the company should prevent potential conflicts of interest and abuse in setting remuneration for directors and should ensure publicity and transparency of the corporate remuneration policy and directors' remuneration

8.1. The company should publish a report on its remuneration policy ("the remuneration report") which should be clear and understandable. The remuneration report should be published in the company's website and not only as part of the annual report.	Yes/No	The Company has no practice of preparing a report on the remuneration policy and the approval, revision and publishing of remuneration to the Company's directors. No such requirement is contained in the legal acts. General information on the Company's remuneration policy and average rates of pay for employee groups are published in the Annual Report of the Company. According to Article 25(5) of the Republic of Lithuania Law on Energy, the Company publishes the rates of remuneration and other payments to members of management bodies for the performance of their functions.

8.2. The remuneration report should be focussed on the directors' remuneration policy in next year and where applicable in subsequent financial years. It should also contain an overview of the implementation of the remuneration policy in previous financial years.	No Yes	The Annual Report does not contain information on the policy of remuneration to the Company's directors for next year and subsequent years. The Annual Report contains information on amounts calculated for the members of the Company's supervisory and management bodies (salaries, other payments, tantiemes, other distributions from profit).
8.3. The remuneration report should contain at least this information: **1) relationship between the variable and fixed components of the directors remuneration and explanation thereof;** **2) sufficient information on criteria for the evaluation of performance results on which the entitlement to share options, to shares or to variable components of remuneration is based;** **3) explanation of why the selected criteria are beneficial for long-term interests of the company;** **4) explanation of the methods applied in determining whether the performance evaluation criteria are met;** **5) sufficiently detailed information on periods of deferring the payment of the variable component of remuneration;** **6) sufficient information on the link between remuneration and performance;** **7) main criteria underlying the annual bonus system and other non-cash benefits;** **8) sufficiently detailed information on the severance pay policy;** **9) sufficiently detailed information on the period of granting of share-based payment as stated in item 8.15;** **10) sufficiently detailed information on retaining shares upon granting of rights under item 8.15;** **11) sufficiently detailed information on composition of similar groups of companies whose remuneration policies were analysed in order to formulate the remuneration policy for an associated company;** **12) description of main features of an additional pension scheme or early retirement scheme intended for directors;** **13) the remuneration report should not contain information that ought not to be published for commercial considerations.**	Yes / No	The Annual Report contains information on amounts calculated for the members of the Company's supervisory and management bodies (salaries, other payments, tantiemes, other distributions from profit), information about assets transferred and guarantees provided to members of management bodies and other information about remuneration thereto. Please see comment on p. 8.1.

8.4. The remuneration report should also summarise and explain the company's policy for agreements concluded with executive directors and members of management bodies. This should include, inter alia, information on the terms of agreements with executive directors and members of management bodies and periods of notice of resignation as well as detailed information on severance pay and other benefits related to the early termination of agreements with executive directors and members of management bodies.	N/a	Please see comment on p. 8.1.
8.5. The full amounts of remuneration and other benefits received by individual directors in the relevant financial year should be detailed in the remuneration report. This document should contain at least information referred to in items 8.5.1–8.5.4 for each person that had occupied the position of a director in the company in any period of the financial year. **8.5.1. 8.5.1. The following information related to remuneration and/or other service income should be provided:** **11) total amount of remuneration paid or payable to the director for the services provided in the past financial year including, where applicable, participation fees set in the general meeting of shareholders;** **2) remuneration and benefits received from any company of the same group;** **3) remuneration paid as allocation from profit and/or bonuses and reasons for granting of such bonuses and/or allocations from profit;** **4) if permitted by the laws, each type of material extra pay paid to directors for special services not included in normal functions of directors;** **5) compensation payable or paid to each executive director or member of management bodies who has resigned in the previous financial year;** **6) total value of the benefit which is treated as remuneration and which is given in a form other than cash, if such benefit is not covered by items 1 to 5;** **8.5.2. The following information related to shares and/or rights to take part in share options and/or any other rights to take part in the share-based incentive systems should be provided:** **1) number of share options offered or shares allocated previous financial year and the terms and conditions thereof;** **2) number of share options exercised during previous financial year specifying the number and price of the shares in each option, or the value of participation in the share-based employee incentive system as of the end of previous year;**	N/a	Please see comment on p. 8.1.

3) number of share options unrealised as of the end of financial year, their realisation price, realisation data and main terms of exercise of the rights; **4) any changes in the terms of share options in the next financial year.** **8.5.3. The following information related to the additional pension schemes should be provided:** **1) in case defined benefit schemes – changes in benefits accumulated for the directors in the relevant financial year;** **2) in case of defined contribution schemes – detailed information on contributions paid or payable for the director by the company in the relevant financial year;** **8.5.4. Amounts paid by the company or its subsidiary or any company included in the company's consolidated financial statements as a loan, prepayment or guarantee to any person who has occupied the position of a director in any period of the relevant financial year, including outstanding amounts and interest rates.**		
8.6. Where the remuneration policy provides for variable components of remuneration, the company should set the limits of the variable components. The fixed component should be sufficient to allow the company not to pay the variable component in case if the performance criteria are not met.	Yes/No	
8.7. The payment of the variable component should depend on pre-set and measurable performance evaluation criteria.	Yes/No	Please see comment on p. 8.1.
8.8. Where the variable component of the remuneration is paid, payment of the larger part of this component should be deferred for a reasonable period. The size of the deferred part of the variable component should be set based on the relative value of the variable part as compared with the fixed part of the remuneration.	Yes/No	Please see comment on p. 8.1.
8.9. Agreements with executive directors or members of management bodies should include a provision enabling the company to recover the variable part that has been paid based on the data which later appeared to be untrue.	N/a	Please see comment on p. 8.1.
8.10. Severance pay should not exceed a set amount or a set number of annual pay amounts and generally should not be higher than the sum of the fixed remuneration component for two years or an equivalent.	N/a	Please see comment on p. 8.1.

8.11. Severance pay should not be paid if employment contract is terminated on the grounds of poor performance	N/a	Please see comment on p. 8.1.
8.12. Furthermore, information on the preparatory and decision-adoption processes whereby directors' remuneration policy is formulated should be disclosed. The information should include data, if applicable, on the powers and composition of the remuneration committee, names of external consultants whose services were used in the formulation of the remuneration policy, and the role of the annual general meeting of shareholders.	N/a	Please see comment on p. 8.1.
8.13. In cases where remuneration is share-based, the right to shares should not be granted during at least three years after allocation thereof.	N/a	Please see comment on p. 8.1.
8.14. Share options or other rights to acquire shares or to receive remuneration based on share price fluctuations should not be exercised earlier than on expiry of three years after allocation. The granting of the right to the shares and the right to exercise share options or other rights to acquire shares or receive remuneration based on share price fluctuations should depend on pre-set and measurable performance evaluation criteria.	N/a	Please see comment on p. 8.1.
8.15. Upon allocation of the rights the directors should retain a certain number of shares until the end of the term of office depending on the need to cover any expenses related to the share acquisition. The number of shares to be acquired should be preset, e. g. the value of annual remuneration (variable plus fixed) multiplied by two.	N/a	Please see comment on p. 8.1.
8.16. Remuneration to consulting directors or members of the supervisory council should not include share options.	N/a	Please see comment on p. 8.1.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to take part in the annual meetings of shareholders and vote on the issue of setting remuneration for the directors.	N/a	Please see comment on p. 8.1.

8.18. Without diminishing the role of bodies responsible for the setting of remuneration, remuneration policy and any material change therein should be included in the agenda of the annual meeting of shareholders. The remuneration report should be submitted to the general meeting of shareholders for voting. The voting results may have mandatory or advisory effect.	N/a	Please see comment on p. 8.1.
8.19. Schemes under which remuneration to directors is paid in shares, share options or other rights to acquire shares or receive remuneration based on share price fluctuations should be approved in advance by a decision adopted by the general meeting of shareholders. The consent should be given to the scheme itself and shareholders should not decide on the benefit received by individual directors under that scheme. Any material amendments to the scheme proposed prior to the scheme introduction date should also be approved by the decision of a general meeting of shareholders. In such cases the shareholders should be informed in detail about the proposed amendments and the potential effects thereof.	N/a	Please see comment on p. 8.1.
8.20. Consent of the general meeting of shareholders should be obtained for the following matters: **1) remuneration to directors under share-based schemes including share options;** **2) setting of the maximum number of shares and main terms and conditions of share allocation;** **3) term within which share options must be exercised;** **4) terms and conditions of changing the price for the exercise of each further share option;** **5) any other long-term incentive schemes for directors that are not offered to any other employees of the company on similar terms.** **The general meeting of shareholders should also set the final time limit for the allocation of the abovesaid compensations to directors by the body responsible for director's' remuneration.**	N/a	Please see comment on p. 8.1.
8.21. If permitted by the national law or the Articles of Association of the company, the shareholders approval should also be required for each model of option permitting subscription for the shares at a price lower than market price valid as of the price-setting day or at an average market price valid several days prior to the setting of the exercise price.	N/a	Please see comment on p. 8.1.

8.22. Items 8.19 and 8.20 should not be applied to schemes which are offered, on similar terms and conditions, to employees of the company or of any subsidiary entitled to participate in the scheme and which were approved by the general meeting of shareholders.	N/a	Please see comment on p. 8.1.
8.23. Prior to the date of the general meeting of shareholders at which the decision referred to in Item 8.19 is to be considered, the shareholders should be afforded the opportunity to familiarise themselves with the draft decision and the related notice (the documents should be published on the company's website). The notice should contain the full text describing the share-based scheme or a description of the main terms and conditions thereof as well as names of participants in the scheme. The notice should also specify the relationship between the schemes and the overall directors' remuneration policy. The draft decision should contain a clear reference to the scheme itself or a summary of the main terms and conditions. The shareholders should also be furnished with information on the way the company intends to secure the availability of the shares necessary for the discharge of obligations under the incentive scheme: it should be clearly indicated whether the company intends to buy the shares in the market, or keep them as a reserve, or issue new shares. In addition, an overview of the scheme costs to be incurred by the company due to the application of the scheme should be provided. The information under this item should be published in the company's website.	N/a	Please see comment on p. 8.1.

Principle IX: Role of interest holders in corporate governance

The corporate governance system should recognise the statutory rights of stakeholders and promote active collaboration between them and the company in creating the company's welfare, jobs and financial stability. For the purposes of this principle, *stakeholders* include investors, employees, creditors, suppliers, customers, local community and other persons having interests in a specific company

9.1. The corporate governance system should ensure respect for the statutory rights of stakeholders.	Yes	The corporate governance system ensures respect for the rights of stakeholders protected by the law. For instance, consultations, negotiations etc. on the optimisation processes implemented in the Compaq are held with representatives of the Company's employees. Under the Collective Agreement concluded with the employees' representatives, the Company informs the trade union representatives of projected changes, financial position of the Company etc. Stakeholders can take part in the corporate governance to the extent provided by the laws.
9.2. The corporate governance system should enable stakeholders to participate in the governance according to procedures established by the law. Examples of stakeholders' involvement: participation of employees in adopting decisions significant for the company, consulting with the employees on matters of the company's management and other important matters, employees' participation in the share capital, involvement of creditors in the company's management in case of insolvency of the company etc.	Yes	
9.3. Where stakeholders take part in the corporate governance process, they should be enabled to access requisite information.	Yes	The Company complies with this recommendation.

Principle X: Disclosure of information

The corporate governance system must ensure that information on all material issues relevant to the company, including financial position, operations and management, is disclosed timely and accurately.

10.1. The company should disclose information on: 1) operations and financial results of the company; 2) objectives of the company; 3) persons owning or controlling a block of shares of the company; 4) members of supervisory and management bodies of the company and the head of the company as well as their remuneration; 5) predictable key risks; 6) the company's transactions with related parties as well as transactions concluded in other way than the usual course of business;	Yes	The Company discloses this information in several ways: 1. publishing as Notices of Material Events according to the procedure established by the law (e.g. changes in the Company's management structure, election of new Board members, financial results etc.); 2. publishing in the Company's website (e.g. objectives of the Company), in the electronic publication of OMX NASDAQ Vilnius Securities Exchange and the Centre of Registers; 3. publishing in the Annual Report (e.g. members of management bodies, the Head of the Company and his/her salary, potential risks etc.). The Company publishes information on consolidated results of the entire Group (i.e. Lietuvos energija, AB and its subsidiaries).
10.2. In disclosing the information referred to in (1) of Item 10.1, it is recommended that the controlling company discloses information on the consolidated results of the entire group of companies.	Yes	The Company complies with this recommendation as it discloses information on consolidated results of the Company and the Group. Information related to the controlling company Visagino atominė elektrinė UAB is published by the controlling company itself.
10.3. In disclosing the information referred to in (4) of Item 10.1, it is recommended to provide information on professional experience and qualifications of members of the company's supervisory and managerial bodies and the head of the company as well as potential conflicts of interests that could influence their decisions. It is also recommended to disclose remuneration and other income received by the said persons as detailed under Principle VIII.	Yes	Such information is provided in the Annual Report of the Company (professional experience of the Head of the Company, participation in other companies by members of management bodies of the Company, their remuneration).

10.4. In disclosing the information referred to in (7) of Item 10.1, it is recommended that information on relations between the company and its stakeholders such as employees, creditors, suppliers, local community etc. is disclosed including the company's human resources policy, programmes on employees' participation in share capital etc.	Yes	The Annual Report presents information on the relations between the Company and its stakeholders, This information is also published in press releases and the Company's website.
10.5. The information should be disclosed in such a way that no shareholder or investor is discriminated against with respect to the method and scope of information received. The information should be disclosed to all at the same time. It is recommended that notices of material events are published prior to or after a trading session at NASDAQ OMX Vilnius so that all shareholders and investors of the company have equal opportunities to familiarise themselves with the information and to adopt relevant investment decisions.	Yes / No	The Company publishes information through the information system of OMX NASDAQ Vilnius in Lithuanian and English simultaneously. The Company publishes information prior to, during ir after the trading session at OMX NASDAQ Vilnius and presents it simultaneously to all the markets in which the Company's securities are traded. The Company does not disclose information that may influence the price of its securities in any comments, interviews etc. until such information is published in the securities exchange information system.
10.6. The methods of disclosing information should ensure unbiased, timely and inexpensive access to information to the information users including free access in cases established by the law. It is recommended that information technologies are used widely for the dissemination of information, e. g. publishing of information on the company's website. Information should be published on the company's website both in Lithuanian and English as well as in other languages if possible.	Yes	Apart from the method of disclosure stated in p. 10.5, the Company uses the mass media (newspapers, electronic publications, news agencies, the Company's website) in order to ensure that the information reaches the largest circle of stakeholders possible. Information in the Company's website is published in Lithuanian and English.
10.7. It is recommended that the annual report, the financial statements and other period reports of the company are published on its website, together with the company's notices of material events and changes in the prices of the company's shares in securities exchange.	Yes	The Company publishes all such information in its website.

Principle XI: Selection of the company's auditor

The mechanism for the selection of an auditor for the company should ensure independence of the audit opinion.

11.1. In order to obtain an objective opinion of the interim and annual financial statements and the annual report of the company, they should be audited by an independent auditor.	Yes/No	Independent audit of the annual financial statements and the annual report of the Company is conducted. Audit of the interim financial statements of the Company is conducted as well.
11.2. It is recommended that the supervisory council proposes an auditor to the general meeting of shareholders, and if no supervisory council is formed, then the proposal should be made by the board.	Yes	Upon selection of the auditor, the Board proposes its candidacy to the general meeting of shareholders.
11.3. If the auditor receives payment from the company for services other than audit services, the company should disclose this to its shareholders. This information should also be disclosed to the supervisory council, and if no supervisory council is formed – to the board for the purposes of selecting the auditor that it intends to propose to the general meeting of shareholders.	Yes	The Company complies with these recommendations.

LIETUVOS ENERGIJA, AB

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR 2011

Prepared according to the International Financial Reporting Standards adopted in the European Union

Accompanied by an Independent Audit Report

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
All amounts in LTL thousand unless otherwise stated

ASSETS	Notes	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010 (restated)	Company at 31 December 2010 (restated)
Non-current assets					
Intangible assets	4	39,735	36,345	37,911	37,811
Property, plant and equipment	5	3,114,410	3,054,247	2,876,969	2,853,343
Prepayments for property, plant, equipment		2,769	2,769	43,737	43,737
Investment property	6	1,824	1,824	1,852	1,852
Investments in subsidiaries	7	-	54,651	-	23,897
Investments in associates and joint ventures	7	146,966	151,648	162,719	160,836
Deferred income tax assets	23	81	-	1,200	-
Other non-current assets	8	9,657	9,657	18,547	18,547
Accounts receivable	11	1,426	1,426	1,797	8,297
Other financial assets		-	-	875	875
Total non-current assets		**3,316,868**	**3,312,567**	**3,145,607**	**3,149,195**
Current assets					
Inventories	9	125,537	123,721	127,908	126,209
Prepayments		2,936	1,909	13,108	12,051
Trade receivables	10	233,479	207,498	179,061	154,400
Other accounts receivable	11	7,007	12,648	20,941	20,127
Prepaid income tax		3,157	3,147	8,383	8,383
Other financial assets		267	-	243	-
Cash and cash equivalents	12	27,907	8,281	86,925	83,375
		400,290	**357,204**	**436,569**	**404,545**
Non-current assets classified as held for sale	13	3,283	1,543	4,166	1,543
Total current assets		**403,573**	**358,747**	**440,735**	**406,088**
TOTAL ASSETS		**3,720,441**	**3,671,314**	**3,586,342**	**3,555,283**

(continued on the next page)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
All amounts in LTL thousand unless otherwise stated

EQUITY AND LIABILITIES	Notes	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010 (restated)	Company at 31 December 2010 (restated)
Capital and reserves					
Share capital	14	635,084	635,084	635,084	635,084
Share premium	14	295,767	295,767	295,767	295,767
Revaluation reserve	15	13,735	8,395	8,583	6,604
Legal reserve	16	35,972	35,867	35,867	35,867
Other reserves	17	717,775	717,775	717,775	717,775
Retained earnings (deficit)		(67,183)	(44,656)	35,107	33,174
Total equity attributable to owners of the Company		**1,631,150**	**1,648,232**	**1,728,183**	**1,724,271**
Non-controlling interest		39,951	-	-	-
Total equity		**1,671,101**	**1,648,232**	**1,728,183**	**1,724,271**
Non-current liabilities					
Borrowings	19	602,258	602,258	503,164	503,164
Finance lease liabilities	20	319	-	851	-
Grants	21	1,008,569	1,008,569	872,957	872,957
Provisions for emission allowances	26	-	-	15,907	15,907
Other non-current accounts payable and liabilities	22	46,137	45,863	56,476	56,476
Deferred income tax liabilities	23	125,431	124,311	129,684	126,969
Total non-current liabilities		**1,782,714**	**1,781,001**	**1,579,039**	**1,575,473**
Current liabilities					
Borrowings	19	39,908	38,739	45,362	31,828
Finance lease liabilities	20	584	-	511	-
Trade payables	24	116,830	103,759	138,274	133,689
Advance amounts received	25	17,628	14,885	3,883	3,845
Income tax payable		1,787	-	1,405	490
Provisions for emission allowances	26	61,931	61,931	67,282	67,282
Other accounts payable and liabilities	27	27,958	22,767	22,403	18,405
Total current liabilities		**266,626**	**242,081**	**279,120**	**255,539**
Total liabilities		**2,049,340**	**2,023,082**	**1,858,159**	**1,831,012**
TOTAL EQUITY AND LIABILITIES		**3,720,441**	**3,671,314**	**3,586,342**	**3,555,283**

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
All amounts in LTL thousand unless otherwise stated

	Notes	Group 2011	Company 2011	Group 2010 (restated)	Company 2010 (restated)
Revenue					
Sales revenue	28	1,374,155	1,365,573	1,220,564	1,212,831
Other operating income	30	55,352	23,480	40,253	650
		1,429,507	**1,389,053**	**1,260,817**	**1,213,481**
Operating expenses					
Purchase of electricity and related services		(707,978)	(707,824)	(881,272)	(880,654)
Purchase of gas		(452,367)	(452,367)	(125,325)	(125,325)
Depreciation and amortisation	4,5,6,21	(60,513)	(57,763)	(33,826)	(31,421)
Wages and salaries and related expenses		(48,554)	(37,029)	(37,752)	(28,768)
Repair and maintenance expenses		(7,089)	(15,124)	(9,658)	(8,567)
Expenses of revaluation and provisions for emission allowances	4,21,26	(52,288)	(52,288)	(13,975)	(13,975)
Expenses of provision for onerous contract		(16,688)	(16,688)	(28,977)	(28,977)
Impairment of other non-current assets	8	(9,169)	(9,169)	-	-
Impairment write-down of inventories	9	(1,631)	(1,631)	(6,773)	(8,477)
Impairment of investments in subsidiaries and associates	7	(916)	-	(146)	(5,746)
(Loss) on revaluation and impairment of property, plant and equipment / reversal	5	8,405	(281)	1,349	-
Other expenses		(67,558)	(23,743)	(43,843)	(24,278)
		(1,416,346)	**(1,373,907)**	**(1,180,198)**	**(1,156,188)**
OPERATING PROFIT		**13,161**	**15,146**	**80,619**	**57,293**
Finance income	31	1,362	2,358	3,941	4,325
Finance costs:					
Share of result of operations of associates and joint ventures	7	(6,048)	-	54	-
Other finance (costs)	32	(6,200)	(5,913)	(3,087)	(2,791)
		(10,886)	(3,555)	908	1,534
PROFIT BEFORE INCOME TAX		**2,275**	**11,591**	**81,527**	**58,827**
Current income tax expense	23	(5,594)	(3,891)	(16,414)	(15,507)
Deferred tax income	23	4,845	3,056	26,147	27,192
		(749)	(835)	9,733	11,685
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,526**	**10,756**	**91,260**	**70,512**
DISCONTINUED OPERATIONS					
Net (loss) for the year from discontinued operations, net of income tax	33	-	-	(6,426)	(47,600)
NET PROFIT FOR THE YEAR		**1,526**	**10,756**	**84,834**	**22,912**

(continued on the next page)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
All amounts in LTL thousand unless otherwise stated

	Notes	Group 2011	Company 2011	Group 2010 (restated)	Company 2010 (restated)
Other comprehensive income (loss)					
Gain on revaluation of property, plant and equipment	4,5	6,590	2,653	28,335	28,335
Deferred income tax related to (gain) on revaluation of property, plant and equipment and impairment of investment property	23	(989)	(398)	(4,250)	(4,250)
Gain on revaluation of non-current assets of associates, net of deferred income tax	7	657	-	-	-
Other comprehensive income, net of deferred income tax		6,258	2,255	24,085	24,085
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,784**	**13,011**	**108,919**	**46,997**
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company		1,526	10,756	84,728	22,912
Non-controlling interests		-	-	106	-
		1,526	**10,756**	**84,834**	**22,912**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company		7,784	13,011	108,813	46,997
Non-controlling interests		-	**-**	106	**-**
		7,784	**13,011**	**108,919**	**46,997**
Basic and diluted earnings per share (in LTL) from continuing operations	35	**0.00**		**0.11**	
Basic and diluted (deficit) per share (in LTL) from discontinued operations	33	**-**		**(0.01)**	

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
All amounts in LTL thousand unless otherwise stated

Group	Notes	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
Balance at 31 December 2009		**689,515**	**3**	**346,170**	**68,995**	**(63,777)**	**1,614,958**	**2,655,864**	**-**	**2,655,864**
Share capital increase	14	304,099	325,386	-	-	-	-	629,485	-	629,485
Acquisition of subsidiaries	7	-	-	-	13,946	746,382	(390,125)	370,203	48,676	418,879
Spin-off of LITGRID Turtas AB	39	(504,331)	(29,622)	(299,582)	(47,730)	-	(1,041,859)	(1,923,124)	(3,352)	(1,926,476)
Depreciation of revaluation reserve	15	-	-	(24,727)	-	-	24,727	-	-	-
Transfer of revaluation reserve upon in-kind contributions to subsidiaries and associates	15	-	-	(36,488)	-	-	36,488	-	-	-
Dividends paid	18	-	-	-	-	-	(48,266)	(48,266)	-	(48,266)
Adjustment to previous year		-	-	(875)	-	-	875	-	-	-
Comprehensive income		-	-	24,085	-	-	122,977	147,062	1,027	148,089
Balance at 31 December 2010 (as previously reported)		**489,283**	**295,767**	**8,583**	**35,211**	**682,605**	**319,775**	**1,831,224**	**46,351**	**1,877,575**
Balance at 1 January 2011 (as previously reported)		**489,283**	**295,767**	**8,583**	**35,211**	**682,605**	**319,775**	**1,831,224**	**46,351**	**1,877,575**
Acquisition of non-controlling interests upon merger of Lietuvos Elektrinė AB	40	145,801	-	-	656	35,170	(245,498)	(63,871)	(46,351)	(110,222)
Correction of errors	2.31	-	-	-	-	-	(39,170)	(39,170)	-	(39,170)
Balance at 31 December 2011 (restated)		**635,084**	**295,767**	**8,583**	**35,867**	**717,775**	**35,107**	**1,728,183**	**-**	**1,728,183**
Depreciation of revaluation reserve	15	-	-	(800)	-	-	800	-	-	-
Formation of reserves	16	-	-	-	105	-	(105)	-	-	-
Acquisition of subsidiaries	7	-	-	-	-	-	(5,778)	(5,778)	31,957	26,179
Decrease in ownership interest in subsidiary not resulting in loss of control	7	-	-	-	-	-	(7,994)	(7,994)	7,994	-
Share of changes of associates and joint ventures recognised directly in equity	7	-	-	-	-	-	(2,346)	(2,346)	-	(2,346)
Adjustment of revaluation reserve	23	-	-	351	-	-	-	351	-	351
Dividends paid	18	-	-	-	-	-	(89,050)	(89,050)	-	(89,050)
Comprehensive income		-	-	5,601	-	-	2,183	7,784	-	7,784
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**

(continued on the next page)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
All amounts in LTL thousand unless otherwise stated

Company	No-tes	Share capital	Share premium	Revalua-tion reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
Balance at 31 December 2009		**689,515**	**3**	**343,404**	**68,952**	**(63,777)**	**1,621,740**	**2,659,837**
Share capital increase	14	304,099	325,386	-	-	-		629,485
Spin-off of LITGRID Turtas AB	39	(504,331)	(29,622)	(299,582)	(47,665)	-	(987,397)	(1,868,597)
Depreciation of revaluation reserve	15	-	-	(24,727)	-	-	24,727	-
Transfer of revaluation reserve upon in-kind contributions to subsidiaries and associates	15	-	-	(35,701)	-	-	35,701	-
Dividends paid	18	-	-	-	-	-	(48,266)	(48,266)
Adjustment to previous year		-	-	(875)	-	-	964	89
Comprehensive income		-	-	24,085	-	-	45,965	70,050
Balance at 31 December 2010 (as previously reported)		**489,283**	**295,767**	**6,604**	**21,287**	**(63,777)**	**693,434**	**1,442,598**
Balance at 31 December 2011 (as previously reported)		**489,283**	**295,767**	**6,604**	**21,287**	**(63,777)**	**693,434**	**1,442,598**
Merger with Lietuvos Elektrinė AB	40	145,801	-	-	14,580	781,552	(621,090)	320,843
Correction of errors	2.31	-	-	-	-	-	(39,170)	(39,170)
Balance at 31 December 2011 (restated)		**635,084**	**295,767**	**6,604**	**35,867**	**717,775**	**33,174**	**1,724,271**
Depreciation of revaluation reserve	15	-	-	(464)	-	-	464	-
Dividends paid	18	-	-	-	-	-	(89,050)	(89,050)
Comprehensive income		-	-	2,255	-	-	10,756	13,011
Balance at 31 December 2011		**635,084**	**295,767**	**8,395**	**35,867**	**717,775**	**(44,656)**	**1,648,232**

(End)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
All amounts in LTL thousand unless otherwise stated

	Notes	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010 (restated)	Company At 31 December 2010 (restated)
Profit from continuing and discontinued operations		**1,525**	**10,755**	**84,834**	**22,905**
Reversal of non-monetary expenses (income) and other adjustments					
Depreciation and amortisation expense	4,5,6	72,248	69,498	166,994	164,156
Loss on revaluation of property, plant and equipment	5	281	281	11,378	11,380
Impairment write-down of inventories / (reversal)	9	2,188	1,596	6,773	(515)
(Gain) on disposal of investments in subsidiaries and associates	30	-	(21,566)	(5,185)	(1,314)
Impairment of investments in subsidiaries and associates		-	-	146	5,746
Revaluation and provisions for emission allowances		52,286	52,286	13,975	13,975
Other impairments/(reversal)		-	1,403	(2,891)	(5,557)
Share of (profit) of associates and joint ventures		6,048	-	(54)	-
Income tax expense		5,604	3,891	16,414	15,507
Change in deferred income tax liability		(4,845)	(3,056)	(21,800)	(27,192)
(Income) from grants	4,21	(1,151)	(1,301)	(3,204)	(3,177)
(Decrease) in other provisions		22,160	27,511	(1,159)	6,353
Loss on write-off of non-current assets	5	767	267	3,722	1,808
Elimination of results of financing and investing activities:					
- Interest (income)	31	(996)	(988)	(2,838)	(3,251)
- Interest expense	32	3,223	3,078	1,548	1,296
- Other finance (income) costs		2,611	1,465	-	778
Changes in working capital		-	-	-	-
(Increase) decrease in trade receivables and other amounts receivable		(17,097)	(39,276)	(47,918)	73,064
(Increase) decrease in inventories and prepayments		14,172	11,034	5,654	8,129
Increase (decrease) in accounts payable and advance amounts received		(43,167)	(15,268)	97,852	(23,591)
Income tax (paid)		(9,434)	(8,230)	(29,104)	(27,657)
Net cash generated from operating activities		**106,423**	**93,380**	**295,137**	**243,957**
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets		(181,114)	(198,757)	(327,596)	(335,774)
Disposal of property, plant and equipment and intangible assets		39,045	39,575	-	19,173
Loans (granted)		-	-	-	(8,940)
Term deposits		(24)	-	(8,840)	17,000
(Acquisition) of investments in subsidiaries, net of cash acquired		-	-	21,803	(7,150)
(Acquisition) of investments in associates		-	-	(3,250)	(950)
Grants received		-	-	1,128	1,128
Interest received		955	947	405	1,097
Net cash (used in) investing activities		**(141,138)**	**(158,235)**	**(316,350)**	**(314,416)**
Cash flows from financing activities					
Proceeds from borrowings		138,149	145,436	158,612	158,455
Repayments of borrowings		(19,479)	(26,779)	(20,807)	(20,419)
Finance lease payments		(459)	-	(735)	-
Interest (paid)		(33,500)	(33,021)	(9,157)	(6,805)
Dividends (paid)		(89,050)	(89,050)	(1,737)	(1,737)
Dividends (received)		-	774	-	-
Cash paid to shareholders upon spin-off of LITGRID Turtas AB	39	-	-	(98,727)	(42,815)
Net cash generated from/ (used in) financing activities		**(4,339)**	**(2,640)**	**27,449**	**86,679**
Net increase (decrease) in cash flows		**(39,054)**	**(67,495)**	**6,236**	**16,220**
Cash and cash equivalents at the beginning of the year		**60,403**	**70,388**	**54,167**	**54,167**
Cash and cash equivalents at end of the year		**21,349**	**2,893**	**60,403**	**70,387**

The accompanying notes form an integral part of the financial statements.

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 transfer of assets, rights and obligations was accounted for using their carrying amounts. Assets and liabilities were not revalued at their fair values, but instead were recognised at their carrying amounts. The companies were merged with effect from 1 September 2010, i.e. the date on which Lietuvos Energija AB acquired control over Lietuvos Elektrinė AB. The effect of merger on the Company's statement of financial position as at 31 December 2010 and on the statement of comprehensive income for the year then ended is described in Note 40.

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). Further information about subsidiaries, associates and joint ventures and their changes during 2011 is presented in Note 7.

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 December 2011, the Group consisted of Lietuvos Energija AB and the following directly and indirectly controlled subsidiaries:

Company	Address of the company's registered office	The Group's shareholding at 31 December 2011	Subsidiary's share capital as at 31 December 2011	Profit (loss) for 2011	Equity at 31 December 2011	Profile of activities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100%	14,245	1,705	21,190	Repair of energy equipment, production of metal constructions
Gotlitas UAB (controlled through Kauno Energetikos Remontas UAB)	R.Kalantos g. 119, Kaunas, Lithuania	100%	1,100	67	1,614	Accommodation services, trade
Energijos Tiekimas UAB	Žvejų g. 14, Vilnius, Lithuania	100%	750	4,901	9,842	Independent electricity supply
Technologijų ir Inovacijų Centras UAB	Juozapavičiaus g. 13, Vilnius, Lithuania	54.04%	76,513	-*	70,669	IT services
Data Logistics Center UAB (controlled through Technologijų ir Inovacijų Centras UAB)	Juozapavičiaus g. 13, Vilnius, Lithuania	54.04%	12,847	4,427	17,392	IT services
VŠĮ Respublikinis Energetikų Mokymo Centras (controlled through Technologijų ir Inovacijų Centras UAB)	Jeruzalės g. 21, Vilnius, Lithuania	54.04%	294	-*	(1,136)	Professional development of energy specialists and continual professional training

*- The Group acquired control over the subsidiaries Technologijų ir Inovacijų Centras UAB and VŠĮ Respublikinis Energetikų Mokymo Centras with effect from 31 December 2011, therefore, the results of operation of these companies for the year 2011 were not presented.

As at 31 December 2010, the Group consisted of Lietuvos Energija AB and the following directly and indirectly controlled subsidiaries:

Company	Address of the company's registered office	The Group's shareholding at 31 December 2010	Subsidiary's share capital as at 31 December 2010	Profit (loss) for 2010	Equity at 31 December 2010	Profile of activities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100%	31,341	(7,311)	16,139	Repair of energy equipment, production of metal constructions
Gotlitas UAB (controlled through Kauno Energetikos Remontas UAB)	R.Kalantos g. 119, Kaunas, Lithuania	100%	1,100	183	1,547	Accommodation services, trade
Energijos Tiekimas UAB	Žvejų g. 14, Vilnius, Lithuania	100%	750	4,601	5,316	Independent electricity supply
Data Logistics Center UAB	Juozapavičiaus g. 13, Vilnius, Lithuania	100%	12,847	588	13,452	IT services

As at 31 December 2011, the number of employees of the Group was 1,179 (31 December 2010: 964). As at 31 December 2011, the number of employees of the Company was 509 (31 December 2010: 231).

The shareholders of the Company have a statutory right to approve these financial statements or not to approve and to require preparation of a new set of the financial statements.

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 year 2011.

2.1 Basis of preparation

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

These financial statements have been prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment losses (Note 2.7), emission allowances (Note 2.11) and financial instruments measured at fair value (Note 2.12).

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

2.2 Change in 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 *Accounting policies (continued)*

2.2 Change in accounting policy (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 IFRSs.

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 Accounting policies (continued)

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.

2 *Accounting policies (continued)*

2.4 Business combinations

Acquisition of subsidiaries, except for acquisitions between jointly controlled companies, is accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group on the date of acquisition.

All acquisition-related costs are expensed when incurred. The acquiree's identifiable assets acquired, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. On each acquisition, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

IFRS 3, 'Business combinations' is not applied to business combinations between jointly controlled entities, therefore, such business combinations were accounted for using the merger method. The Group did not recognise assets and liabilities at their fair values at the acquisition date, instead the Group combined the acquired assets and liabilities at their carrying amounts. Under the merger method, no additional goodwill arises and the results of the acquiree have been recognised in the consolidated financial statements since the date of acquisition.

The Group applies a policy of treating transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.5 Investments in subsidiaries (the Company)

Subsidiary is an entity directly or indirectly controlled by a parent company and in which a parent company has a shareholding of more than one half of the voting rights. In the parent company's statement of financial position, investments in subsidiaries are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount. Cost also includes directly attributable expenditure.

2.6 Investments in associates and joint ventures

An associate is an entity over which the Group/Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence generally accompanies a shareholding of between 20% to 50% of the voting rights. The Group has investment in a joint venture, which is an entity of joint operations, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity.

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

In the consolidated financial statements of the Group, results of operation of associates and joint ventures are accounted at equity method, except when the investment is classified as held-for-sale and it is recognised according to IFRS 5 *Non-current assets held for sale and discontinued operations*. Under the equity method, investments in associates or joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the investee, less any impairment in the value of individual investments. The Group's share of post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

Losses of an associate or joint venture in excess of the Group's share of assets in that associate/joint ventures are not recognised, unless the Group had incurred legal or indirect obligations or made payments on behalf of the associate/joint venture.

Any excess of the cost of acquisition over the fair value of the Group's share of net identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognised as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the fair value of the Group's share of net identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the statement of comprehensive income.

Where the Group company conducts transactions with an associate/joint venture of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the relevant entity.

2 *Accounting policies (continued)*

2.6 Investments in associates and joint ventures (continued)

Financial guarantees provided for the liabilities of the associates are initially recognised as an investment in associates at estimated fair value and as a financial liability in the statement of financial position. The fair value is estimated as the difference between the fair value of the liability secured with guarantee and the fair value of analogous liability not secured with guarantee. Subsequent to initial recognition, this financial liability is amortised and recognised as income depending on the related amortisation / repayment of the associate's financial liability to the bank. If there are indications that the associate may fail to fulfil its obligations to the bank, a financial liability of the Company is accounted for at the higher of amortised value and the value estimated according to IAS 37, 'Provisions, contingent liabilities and contingent assets'.

3 Property, plant and equipment and intangible assets

Property, plant, and equipment

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

In Property, plant and equipment the categories of assets of hydro power plant, pumped storage power plant and thermal power plant, is accounted for at cost less accumulated depreciation and impairment. Other property, plant and equipment is shown at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent valuers, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets. Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognised in the profit and loss account. Increases in the carrying amount arising on the subsequent revaluation of property, plant and equipment are credited to revaluation reserve, whereas decreases in the carrying amount that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Revaluation increases in property plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax.

Construction in progress represents property, plant and equipment under construction. The cost of such assets includes designing, construction works, equipment provided for installation, and other directly attributable costs.

Intangible assets

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

Subsequent to initial recognition, intangible assets, except for emission rights (see Note 2.11) are carried at cost less any accumulated amortisation and accumulated impairment losses, if any (the Group/Company does not have intangible assets with indefinite useful lives).

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. As at 31 December 2008, depreciation (amortisation) rates of property, plant and equipment and intangible assets were adjusted in view of the remaining useful lives.

2 *Accounting policies (continued)*

2.7 Property, plant and equipment and intangible assets (continued)

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 and equipment	
- electricity and communication devices	20 - 25
- electricity equipment	15 - 35
- other equipment	5 - 20
Structures and equipment of Hydro Power Plant and Pumped Storage Plant	
- hydro technical waterway structures and equipment	75
- pressure pipelines	50
- hydro technical turbines	25 - 40
- other equipment	8 - 15
Structures and equipment of Thermal Power Plant	
- constructions and infrastructure	10 - 70
- thermal and electricity equipment	10- 60
- measuring devices and equipment	5 - 30
- other equipment and tools	8 - 15
Motor vehicles	4 - 10
Other property, plant and equipment:	5 - 40
- computer hardware and communication equipment	3 - 10
- inventory, tools	4 - 10
Intangible assets	3 - 4

Average useful lives of newly acquired property, plant and equipment, which are highly important for the principal activities 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

Property, plant and equipment acquired under finance lease are depreciated over their estimated useful life on the same basis as owned assets.

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

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

Spare parts of high value that can be used only in combination with specific item of property, plant and equipment are accounted for as property, plant and equipment. Spare parts are carried at acquisition cost, less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the estimated useful life of the related item of property, plant and equipment.

2.8 Impairment of property, plant and equipment, intangible assets and other non-current assets

At each reporting date, the Group and the Company review the carrying amounts of its property, plant and equipment, intangible assets and other non-current assets to determine whether there is any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, administrative assets of the Group and the Company are allocated to individual cash-generating units, otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. The recoverable amount of other non-current assets (right to receive emission allowances) is determined with reference to market prices of forward or spot transactions in emission allowances.

2 *Accounting policies (continued)*

2.8 Impairment of property, plant and equipment, intangible assets and other non-current assets (continued)

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (without exceeding the sum of previous value impairment) as described in Note 2.7.

2.9 Investment property

Investment property of the Group/Company, which consists of investments in buildings, is held to earn rentals or for capital appreciation. Investment property is initially recognised at acquisition cost, including transaction costs. Subsequently all investment property is carried at cost less accumulated depreciation and impairment. Investment property is depreciated using the same depreciation calculation methods and periods as those applied to property, plant and equipment.

Transfers to and from investment property are made only when there is an evidence of change in the purpose of use of assets. Certain immovable property may be occupied by the Company/Group, with the remainder being held for rental yields or for capital appreciation. If part of immovable property occupied by the Company/Group can be sold separately, the Company/Group accounts for such property separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held to earn rentals or for capital appreciation or both is treated as investment property under IAS 40.

2.10 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.11 Emission allowances

Based on the EU Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years which started in 2005 and ended in 2007; the second period of operation covers 5 years starting in 2008 and ending in 2012, which is in line with the period established under the Kyoto Agreement. The system functions on cap and trade basis. The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. These caps are specified in the National Allocation Plan to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). The National Allocation Plan determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

A Member State has an obligation to allocate emission allowances by 28 February of each year in accordance with the National Allocation Plan (a part of emission allowances are set aside for new units).

A Member State is to assure that an operator of each emission unit will submit data on the unit's actual amount of greenhouse gas emissions during the current calendar year not later than by 30 April of the next year.

Intangible assets
The EU emission allowances are treated as intangible assets that were provided by the state in the form of non-monetary grant and that should be accounted for at fair value at the moment of their issuance or transfer.

After the initial recognition emission allowances are revalued at fair value using the active market prices. Increases in the carrying amount arising on the revaluation of emission allowances are credited against revaluation reserve directly to equity and decreases in excess of the previously accumulated amount in the revaluation reserve are recognised in the profit and loss account. On realisation of emission allowances, the respective positive balance of the revaluation reserve is taken directly to retained earnings.

2 Accounting policies (continued)

2.11 Emission allowances (continued)

Government grant
The EU emission allowances provided to the Company free of charge are treated as a non-monetary government grant which is recognised at fair value at the date of its receipt or issuance. Subsequently, the government grant is recognised as income in proportion to emission allowances utilised during the validity period of emission allowances or upon their disposal.

Provision for utilisation of emission allowances
As the Company makes emissions, a liability arises to pay for these emissions to the state using emission allowances, the nominal value of which is equal to the quantity of emissions. Such liability is a provision which is estimated at a value equal to expenses to be incurred for the settlement of this liability at the date of the preparation of the statement of financial position. The liability can be offset against intangible assets only when the actual quantity of emissions is approved by an appropriate regulatory state authority. Changes in the value of liability are recognised in profit or loss and presented in the statement of comprehensive income.

Lending of emission allowances
Lending of emission allowances is a sale transaction during which assets is disposed and the right to receive emission allowances is acquired. The right to receive emission allowances is recognised as other non-current assets. Such assets are initially recognised at acquisition cost, and subsequently such assets are tested for impairment as described in Note 2.8.

2.12 Financial assets

According to IAS 39, 'Financial instruments: recognition and measurement' financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans granted and receivables, and available-for-sale financial assets. The Company determines the classification of its financial assets based on its nature and purpose at initial recognition.

Financial assets are recognised on a trade date basis where the purchase or sale process is under a contract, which terms require delivery of the financial assets within the timeframe established by the market concerned. Financial assets are recognised initially at fair value, plus, in the case of investments are not carried at fair value through profit or loss, directly attributable transaction costs.

The Group's/Company's financial assets include cash, trade and other accounts receivable, loans and investments in derivatives and are classified into two categories: financial assets at fair value through profit or loss and loans and receivables.

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

Financial assets at fair value through profit or loss

Such financial instruments are primarily held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are classified as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of comprehensive income as gains less losses from derivative instruments.

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

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 over the expected life of the financial asset.

2 Accounting policies (continued)

2.12 Financial assets (continued)

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 debtor 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.

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

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

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Group/Company 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 the risks and rewards of ownership of 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.

2.13 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 using the specific cost method. Net realisable value is the estimated selling price, less the estimated costs of completion, marketing and selling expenses.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks, demand deposits and other highly liquid investments (up to 3 months original maturity) that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are recognised in the statement of financial position as current borrowings.

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

2 *Accounting policies (continued)*

2.15 Financial liabilities and equity instruments issued by the Group and the Company

<u>Recognition of instruments as debt or equity instruments</u>

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

<u>Equity instruments</u>

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 proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

<u>Financial liabilities</u>

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.

<u>Other financial liabilities</u>

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

After initial recognition, other financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest rate method (see Note 2.12).

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a financing agreement concluded before the balance sheet date proves that the liability was non-current by its nature as of the date of the balance sheet, that financial liability is classified as non-current.

<u>Derecognition of financial liabilities</u>

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 between the respective carrying amounts is recognised in the statement of comprehensive income.

2.16 Foreign currency

Foreign currency transactions are accounted for in the litas using the exchange rate announced by the Bank of Lithuania on the dates of transaction, which approximate market exchange rates. Monetary assets and liabilities are translated into the litas using the exchange rate prevailing at the balance sheet date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities into the litas are recognised in the statement of comprehensive income of the reporting period.

With effect from 2 February 2002, the Lithuanian litas has been pegged to the euro at the rate of LTL 3.4528 to EUR 1, and the exchange rates of the litas against other currencies are set daily by the Bank of Lithuania. The exchange rates used for principal currencies were as follows:

At 31 December 2011			At 31 December 2010		
1 LVL	=	4.9421 LTL	1 LVL	=	4.8646 LTL
100 RUB	=	8.3334 LTL	100 RUB	=	8.5535 LTL
10 SEK	=	3.8600 LTL	10 SEK	=	3.8407 LTL
1 USD	=	2.6694 LTL	1 USD	=	2.6099 LTL

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

2 *Accounting policies (continued)*

2.16 Foreign currency (continued)

When preparing separate financial statements of the Group companies, transactions denominated in currencies other than the functional currency of the company (in foreign currencies) are carried using exchange rates prevailing at the dates of transactions. At each balance sheet date monetary items denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary items measured at fair value and denominated in foreign currency are translated using the exchange rate prevailing at the date when the fair value was determined. Non-monetary items carried at cost and denominated in foreign currency are not translated.
The assets and liabilities (including comparative figures) of foreign subsidiaries are translated into the litas for the preparation of consolidated financial statements using the exchange rate prevailing at the balance sheet date. Income and expenses (including comparative figures) are translated into the litas using the average exchange rate of the period, unless there were significant fluctuations of the exchange rate during the reporting period in which case an exchange rate prevailing at the date of the transaction is applied. Currency exchange rate differences, if any, are recognised under foreign currency translation reserve in equity. These changes in foreign exchange rates are recognised in the statement of comprehensive income in the period in which the foreign subsidiary is disposed.

2.17 Grants

Asset-related grants
Asset-related government and the European Union grants and third party compensations comprise grants received in the form of non-current assets or intended for the acquisition of non-current assets. Grants are initially recognised at fair value of the asset received and subsequently accounted for in the statement of comprehensive income by reducing the depreciation charge of related asset over the expected useful life of the asset.

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 other grants, which are not asset-related grants, are treated as income-related grants. 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. These grants are recognised in the statement of comprehensive income, net of related expenditure.

2.18 Provisions

Provisions are recognised when the Group/Company has a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group/Company expects that provision amount in part or in full will be compensated, e.g. by insurance, compensation to be received is recorded as a separate asset, but only when it is virtually certain. Expenses related to provisions are recorded in the statement of comprehensive income, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

Provisions for pension benefits
Pursuant to the Lithuanian laws, each employee who terminates employment at retirement age is entitled to receive a payment of 2 monthly salaries upon retirement. Actuarial calculations are made to determine liability for this pension benefit. The liability is recognised at present value, which is discounted using the market interest rate.

Provisions for onerous contract
Provisions for onerous contract represent liabilities that are initially recognised at fair value and subsequently at the end of each reporting period they are measured at present value using the effective interest rate method.

2 *Accounting policies (continued)*

2.19 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.

(c) Bonus plans

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

2.20 Leases

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.

<u>The Group and the Company are lessors</u>

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

<u>Finance lease – where the Company and the Group are lessees</u>

The Group and the Company account for finance leases as assets and liabilities in the balance sheet at the lower of the fair value of assets leased on the commencement of lease and the present value of minimum finance lease payments.
The present value of minimum lease payments is determined using a discount rate equal to interest rate charged on lease payments, if possible to distinguish, otherwise general interest rate on the Company's borrowings is used. Direct initial costs are added to the value of assets. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated. In addition, as a result of finance lease, the Group's and the Company's finance costs are increased each reporting period in the statement of comprehensive income. The calculation of depreciation for assets acquired under finance lease is analogous to that used for own assets, however, such assets cannot be depreciated over a period longer than the lease period, provided that the ownership is not transferred to the Group or the Company at the end of the validity term of the finance lease contract.

When the outcome of sale or leaseback transaction is finance lease, any gain on sale in excess of the carrying amount is not recognised as income immediately and rather it is deferred and amortised over the period of finance lease.

<u>Operating lease – where the Company and the Group are lessees</u>

Leases of property, plant and equipment where a significant portion of risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Total benefit of lease incentives provided by the lessor is recognised as a reduction of lease expenses over the lease period on a straight-line basis.

When the outcome of sale or leaseback transaction is operating lease and it is obvious that the transaction has been concluded at fair value, any gain or loss is recognised immediately. When the selling price is lower than the fair value, any gain or loss is recognised immediately, except for cases when losses are covered by lease payments lower than market prices in future, in which case they are deferred and amortised in proportion to lease payments over the period during which the asset is expected to be used. When the selling price is higher than the fair value, the excess amount is deferred and amortised over the period during which the asset is expected to be used.

2 *Accounting policies (continued)*

2.21 Segment information

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

2.22 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:

<u>Revenue from sale of electricity</u>

Revenue from sale of electricity acquired at power exchange, electricity export and revenue from public service obligations (PSO) services 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 electricity trading in the power exchange with respect to those transaction in which it acts as an agent.

<u>Revenue from electricity-related services</u>

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

Tariff regulation

Tariffs for the electricity transmission and PSO services 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 which case, the procedure for tariff setting is established by the Commission.

Tariffs for import and export of electricity are not regulated.

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 pre-set annual quantities and prices of services). 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, PSO service fees collected by the Company from electricity consumers and the distribution system operators exceed or are less than the actual PSO service fees paid to the suppliers of these services, the difference needs to be taken into account by the transmission system operator in assessing the component of the price 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 renders this service to the distribution system operators and electricity consumers using a tariff established by the Commission.

2 *Accounting policies (continued)*

2.22 Revenue and expense recognition (continued)

Revenue from repair services

Revenue from individual contracts/projects with customers, i.e. repair services (Note 30), is recognised based on the proportion of the work completed, which is estimated by comparing actually incurred costs on the project with the project's total estimated cost. Expected change in the profitability is accounted for in the statement of comprehensive income when such change is determined. Projects are reviewed periodically and if determined that a contract will be onerous, respective provisions are accounted for.

Other operating income

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

Dividend income is recognised after the shareholders' rights to receive payment have been established. Dividends received are recorded in the statement of cash flows as cash flows from investing activities. Dividends of subsidiaries, attributable to the parent company, are eliminated in the consolidated financial statements.

Income and expenses related to the IT services provided by the Group and the Company, resort buildings owned by the Group and the Company and sales and lease of non-current assets are accounted as other operating income and expenses.

Recognition of expenses

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

2.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. Interest income that relate to temporal investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

Other borrowing costs are recognised as expenses in the income statement as incurred.

2.24 Income tax

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

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

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

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

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

2 *Accounting policies (continued)*

2.24 Income tax (continued)

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

2.25 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average of ordinary registered shares in issue. Where the number of shares changes without causing a change in the economic resources, the weighted average of ordinary registered shares is adjusted in proportion to the change in the number of shares as if this change took place at the beginning of the previous period.

As at 31 December 2011, the weighted average number of shares, based on which the earnings per share are calculated was 635,083,615 (31 December 2010: 813,083,018). As at 31 December 2011 and 31 December 2010 and during the periods then ended, the Company had dilutive options, therefore, basic and diluted earnings per share are the same.

2.26 Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities in business combinations. They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

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

2.27 Events after the end of the reporting period

Subsequent events that provide additional information about the Group's and the Company's position at the reporting date (adjusting events) are disclosed in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when their effect is material.

2.28 Related parties

Related parties to the group and the Company are defined as shareholders, employees, members of the Board, their close family members and companies that directly or indirectly (through the intermediary) control or are controlled by, or are under common control with, the Group and the Company, provided such relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

2.29 Inter-company offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not offset, except for the cases when certain accounting standards specifically require such offsetting.

2.30 Discontinued operations

When preparing the consolidated statement of comprehensive income, all inter-company transactions between discontinued and continuing operations that the Group intends to conduct after the discontinuance, are presented without elimination, i.e. they are presented as if they were conducted with third parties. Accordingly, all income tax expenses of the group company related to both the continuing and discontinued operations are attributable to continuing operations.

2 *Accounting policies (continued)*

2.31 Restatement of comparative figures

When preparing the financial statements of Lietuvos Energija AB for the year 2011, adjustments were made to the comparative figures for 2010 in relation to operations carried out by Lietuvos Elektrinė AB.
The statement of financial position as at 1 January 2010 was not presented because the Group obtained control over Lietuvos Elektrinė AB only with effect from 31 August 2010 and thus, the restatements had no effect on the consolidated statement of financial position as at 1 January 2010.

<u>Adjustment to PSO service revenue for 2010</u>
PSO service fees are the fees paid to the suppliers of electricity under public service obligations scheme based on pre-set annual quantities and prices of services. Subsequently, these services are provided to the distribution system operator and electricity users in accordance with the procedure established by electric power market regulatory authorities.

In 2010, PSO service fees for electricity produced by Lietuvos Elektrinė AB and required to ensure security and reliability of electricity supply were paid to Lietuvos Elektrinė AB based on Resolution No. O3-216 of the National Control Commission for Prices and Energy (“the Commission”) of 24 November 2009. This Resolution prescribed the buyout price for electricity produced for the year 2010 equal to 29.31 ct/kWh. On 24 November 2009 the Ministry of Energy of the Republic of Lithuania (“the Ministry”) issued the Decription of the procedure for the Provision of PSO Services (“the Decription”) in order to regulate the methodology of paying PSO service fees in accordance with the Resolution of the Commision. On 27 June 2010 the Ministry issued an amendment to this Description, which allowed Lietuvos Elektrinė AB to account for electricity of any origin (whether produced or acquired by Lietuvos Elektrinė AB) supplied by Lietuvos Elektrinė AB to the transmission network as the production of electricity supported from PSO service fees. Other legal acts regulating the provision and administration of PSO services were not subject to amendments and stipulated that only electricity produced by Lietuvos Elektrinė AB may be recognised as PSO service. The 27 June 2010 amendment was itself amended again on 4 February 2011 to re-establish the previously effective provision, which provided that only electricity produced at Lietuvos Elektrinė AB may be recognised as PSO service.

Pursuant to the 27 June 2010 amendment, in 2010 Lietuvos Elektrinė AB recognised revenue from PSO service fees received for the imported electricity supplied to the transmission network for the total amount of LTL 49,607 thousand (including LTL 16,536 thousand during the period of 1 September – 31 December 2010).
On 25 October 2011, the allocation of PSO service fees for the year 2012 was based on the Commission‘s Statement No. O5-275, wherein PSO service fees payable in 2012-2015 were reduced by PSO service fees received for the imported electricity. In the opinion of management, the accounting for this revenue should have been based not only on 27 June 2010 amendment to the Description of the Provision of PSO Services, but also in view of all other legal acts in effect at that time because the financial statements for the year 2010 were prepared with legal acts in effect providing for the possibility to recognise as revenue from PSO service fees only that received for electricity produced at Lietuvos Elektrinė AB. Therefore, the fees in the above mentioned amounts will be recognised as PSO service revenue over the period 2012-2015.
Consequently, when preparing the financial statements for the year 2011, adjustments were made to the comparative figures. Since the Group obtained control over Lietuvos Elektrinė AB on 31 August 2010, consolidated sales revenue for 2010 was reduced by LTL 16,535 thousand, impact on retained earnings as a result of business combination on 31 August 2010 was reduced by and LTL 33,072 thousand, and a liability representing deferred revenue was recognised in the amount of LTL 49,607 thousand as of 31 December 2010.

<u>Adjustment relating to onerous contract</u>
In 2009, Lietuvos Elektrinė AB signed a contract for the acquisition of 1,500,000 and 1,700,000 emission allowances at fixed prices in 2011 and 2012, respectively. At the end of 2010, it became clear that such quantity of emission allowances will not be required for Lietuvos Elektrinė AB and emission allowances will have to be sold in the market following their acquisition. As at 31 December 2010, the Group did not account for the contract for acquisition of emission allowances, which appeared to be onerous and had to be accounted for under the requirements of IAS 37, Provisions, contingent liabilities and contingent assets. When correcting this error, the Group adjusted the figures as at 31 December 2010 by recognising the provision for onerous contract and making adjustment to the deferred income tax liability.

<u>Adjustment relating to lending of emission allowances</u>
In 2009, Lietuvos Elektrinė AB signed an agreement with STX Services BV on lending emission allowances. In the financial statements as at 31 December 2010, emission allowances lent were recognised as non-current intangible assets. In the opinion of the management, Lietuvos Elektrinė AB should have accounted for the sale of emission allowances at the moment of signing the agreement, and the right to receive emission allowances in future as other non-current assets. When correcting this error, the Group adjusted the figures as at 31 December 2010 by reducing the value of non-current intangible assets and increasing the value of other non-current assets.

<u>Adjustment relating to impairment of Units No.3 and 4</u>
In 2011, the Group‘s management resolved to establish a provision for impairment of Units No. 3 and 4 of the Lithuanian Power Plant as of 31 December 2010, based on the requirements of the agreement signed on 18 February 2010 with the European Bank for Reconstruction and Development, whereby Lietuvos Elektrinė AB is obliged to close Units No. 3 and 4 of the Lithuanian Power Plant. The provision for impairment was recognised for the total book value of both Units and was accounted for by reducing the value of property, plant and equipment. As the impairment had occurred before 31 August 2010, i.e the date when Lietuvos Elektrinė AB was acquired, the impact on retained earnings as a result of business combination on 31 August 2010 was reduced by the amount of impairment loss. Recognition of the impairment loss had a further impact on the depreciation expense during the period of 1 September to 31 December 2010, which decreased as a result of the decrease in depreciable amount of the impaired assets.

2. Accounting policies (continued)

2.31 Restatement of comparative figures (continued)

Information on the effects of correction of errors on the Group's revenue, expenses, net profit and comprehensive income as at 31 December 2010 is given below:

	Note	As at 31 December 2010 (as previously reported)	Revenue from PSO service fees	Onerous contract	Impairment of Units No. 3 and 4	As at 31 December 2010 (restated)
Revenue						
Sales revenue	28	1,237,100	(16,536)	-	-	1,220,564
Operating expenses						
Provision for onerous contract	26	-	-	(28,977)	-	(28,977)
Depreciation charges		(35,822)	-	-	1,996	(33,826)
Deferred income tax income	23	21,800	-	4,347	-	26,147
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**130,430**	**(16,536)**	**(24,630)**	**1,996**	**91,260**

Information on the effects of correction of errors on the Company's revenue, expenses, net profit and comprehensive income as at 31 December 2010 is given in Note 40.

2. Accounting policies (continued)

2.31 Restatement of comparative figures (continued)

Information on the effects of correction of errors on the Group's assets and equity as at 31 December 2010 is given below:

	Note	As at 31 December 2010	Revenue from PSO service fees	Onerous contract	Emission allowances lent	Impairment of Units No. 3 and 4	As at 31 December 2010 (restated)
Non-current assets:							
Intangible assets	4	57,084	-	-	(19,173)	-	37,911
Property, plant and equipment	5	2,952,124	-	-	-	(75,155)	2,876,969
Other non-current assets	8	-	-	-	18,547	-	18,547
Accounts receivable		1,171	-	-	626	-	1,797
TOTAL ASSETS		**3,661,497**	**-**	**-**	**-**	**(75,155)**	**3,586,342**
Capital and reserves:							
Retained earnings (loss)		319,775	(49,607)	(24,630)	-	(75,155)	170,383
Non-current liabilities:							
Deferred income tax liabilities	23	134,031	-	(4,347)	-	-	129,684
Other non-current accounts payable and liabilities	22	6,869	49,607	-	-	-	56,476
Provisions for emission allowances	26	-		15,907	-	-	15,907
Current liabilities:							
Provisions for emission allowances	26	54,212	-	13,070	-	-	67,282
TOTAL EQUITY AND LIABILITIES		**3,661,497**	**-**	**-**		**(75,155)**	**3,586,342**

Information on the effects of correction of errors on the Company's assets and equity as at 31 December 2010 is given in Note 40.

Effects of correction of errors on the Group's basic and diluted earnings per share:

	2011	2010
Effects of correction of errors	-	(39,170)
Average weighted number of shares (items)	-	813,083,018
(Loss) per share (in LTL)	-	(0.05)

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 (Notes 5 and 6), evaluation of impairment for accounts receivable and investments (Notes 7, 8 and 10, 11), valuation of inventory at net realisable value (Note 9), estimation of provisions for emission allowances (Note 26), percentage of completion evaluation for repair service contracts (Note 30) and disclosure of contingent liabilities (Note 37). 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.

For further details about the revaluation of property, plant and equipment, see Note 5.

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.

3 Critical accounting estimates and uncertainties (continued)

<u>Impairment of property, plant and equipment</u>

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 2011 and 2010, 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.

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.

3 Critical accounting estimates and uncertainties (continued)

Impairment of investments in subsidiaries (in the Company)

The recoverable amount of the investment in subsidiary Kauno Energetikos Remontas UAB as at 31 December 2010 was estimated by discounting future cash flows using a 10 per cent discount rate. The expected cash flow was determined taking into account reorganisation processes taking place at the subsidiary. Increase in revenue is also linked with the tender awarded to the Company for the reconstruction of Panevėžys transformer substation. Based on these assumptions, the estimated recoverable amount was lower than the carrying amount as at 31 December 2010, therefore an additional impairment of LTL 5,600 thousand was accounted for with respect to the investment in the subsidiary (Note 7).

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.

Write-down of inventory to net realisable value

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.

Provisions for emission allowances

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 December 2011 and emission quantities which will be approved in 2012.

Accrual of PSO service fees

The variable part of PSO service fees is estimated with reference to variable costs incurred during the reporting period. The producers ensuring the security of electric power supply and reserves of energy system, submit their PSO service fee estimates to the Commission which include breakdown of variable electric power production costs – natural gas, heavy fuel oil, emission allowance costs, costs for reagent desulphurisation. The variable part of PSO service fees in future calendar year is estimated with reference to scheduled variable costs to be incurred for the production of approved quota of electricity subject to support. Upon allocation of PSO service fees in 2011 as a compensation for variable production costs, the Commission established a price for natural gas equal to LTL 1,000 per one thousand m^3. As a result of significant increase in gas prices in 2011, the average actual price of natural gas reached LTL 1,225 per one thousand m^3. Accordingly, as at 31 December 2011 the Company's management accounted for LTL 96,030 thousand PSO service revenue as compensation for the difference in gas prices.

The underlying principles used for other significant estimates are outlined in the respective notes to the financial statements.

4 *Intangible assets*

The structure of the Group's intangible assets as at 31 December 2011 and 31 December 2010 was as follows:

Group	Patents and licenses	Computer software	Emission allowances (restated)	Other intangible assets	Total (restated)
At 31 December 2009					
Cost	2,155	18,231	-	54	20,440
Accumulated amortisation	(2,144)	(15,705)	-	(31)	(17,880)
Accumulated impairment	-	(105)	-	-	(105)
Net book amount at 31 December 2009	**11**	**2,421**	**-**	**23**	**2,455**
Year ended 31 December 2010					
Opening net book amount	11	2,421	-	23	2,455
Merger with Lietuvos Elektrinė AB	-	-	934	-	934
Additions	-	246	59,388	13	59,647
Lending of emission allowances	-	-	(9,864)	-	(9,864)
Revaluation*	144	731	(12,647)	-	(11,772)
In-kind contribution to the share capital of subsidiaries and associates (Note 7)	(144)	(1,957)	-	-	(2,101)
Transferred upon spin-off to LITGRID Turtas AB (Note 39)	-	(1,610)	-	(28)	(1,638)
Write-offs and disposals	-	(8)	-	-	(8)
Reclassified from property, plant and equipment (Note 5)	-	1,638	-	-	1,638
Amortisation	-	(1,379)	-	(1)	(1,380)
Net book amount at 31 December 2010 (restated)	**11**	**82**	**37,811**	**7**	**37,911**
At 31 December 2010					
Cost	36	1,439	37,811	31	39,317
Accumulated amortisation	(25)	(1,357)	-	(24)	(1,406)
Accumulated impairment	-	-	-	-	-
Net book amount at 31 December 2010 (restated)	**11**	**82**	**37,811**	**7**	**37,911**
Year ended 31 December 2011					
Opening net book amount	11	82	37,811	7	37,911
Additions	7	287	126,826	-	127,120
Acquisition of subsidiaries (Note 7)	1,084	1,875	-	133	3,092
Grant received (Note 21)	-	-	26,701	-	26,701
Disposal	-	-	(38,948)	(7)	(38,955)
Emission allowances utilised	-	-	(54,212)	-	(54,212)
Revaluation costs of emission allowances	-	-	(62,721)	-	(62,721)
Reclassified from property, plant and equipment (Note 5)	-	1,099	-	-	1,099
Amortisation	(10)	(290)	-	-	(300)
Net book amount at 31 December 2011	**1,092**	**3,053**	**35,457**	**133**	**39,735**
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**

* Increase in value on revaluation of intangible assets was recorded by the Group in other comprehensive income, whereas decrease in value on revaluation was taken to profit/loss account.

4 Intangible assets (continued)

The structure of the Company's intangible assets as at 31 December 2011 and 31 December 2010 was as follows:

Company	Patents and licenses	Computer software	Emission allowances (restated)	Other intangible assets	Total (restated)
At 31 December 2009					
Cost	2,073	17,910	-	-	19,983
Accumulated amortisation	(2,073)	(15,550)	-	-	(17,623)
Accumulated impairment	-	-	-	-	-
Net book amount at 31 December 2009	**-**	**2,360**	**-**	**-**	**2,360**
Year ended 31 December 2010					
Opening net book amount	-	2,360	-	-	2,360
Merger with Lietuvos Elektrinė AB	-	-	934	-	934
Additions	-	231	59,388	13	59,632
Lending of emission allowances	-	-	(9,864)	-	(9,864)
Revaluation*	144	749	(12,647)	-	(11,754)
In-kind contribution to the share capital of subsidiaries and associates (Note 7)	(144)	(3,293)	-	-	(3,437)
Transferred upon spin-off to LITGRID Turtas AB (Note 39)	-	(400)	-	(11)	(411)
Write-offs and disposals	-	(8)	-	(1)	(9)
Reclassified from property, plant and equipment (Note 5)	-	1,243	-	-	1,243
Amortisation	-	(882)	-	(1)	(883)
Net book amount at 31 December 2010 (restated)	**-**	**-**	**37,811**	**-**	**37,811**
At 31 December 2010					
Cost	-	1,280	37,811	1	39,092
Accumulated amortisation	-	(1,280)	-	(1)	(1,281)
Accumulated impairment	-	-	-	-	-
Net book amount at 31 December 2010 (restated)		**-**	**37,811**	**-**	**37,811**
Year ended 31 December 2011					
Opening net book amount	-	-	37,811	-	37,811
Additions	-	134	126,826	-	126,960
Grant received (Note 21)	-	-	26,701	-	26,701
Disposal	-	-	(38,948)	-	(38,948)
Emission allowances utilised	-	-	(54,212)	-	(54,212)
Revaluation costs of emission allowances	-	-	(62,721)	-	(62,721)
Reclassified from property, plant and equipment (Note 5)	-	942	-	-	942
Amortisation	-	(188)	-	-	(188)
Net book amount at 31 December 2011	**-**	**888**	**35,457**	**-**	**36,345**
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**

* In 2010, increase in value on revaluation of the Company's intangible assets amounting to LTL 893 thousand was recorded in other comprehensive income.

5 Property, plant, and equipment

The structure of the Group's property, plant and equipment as at 31 December 2011 and 31 December 2010 was 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 (restated)	Motor vehicles	Other PP&E	Construct-ion in progress	Total (restated)
Net book amount at 31 December 2009									
Cost or revalued amount	286	135,125	2,009,335	687,391	-	9,841	90,084	26,661	2,958,723
Accumulated depreciation	-	-	-	(114,413)	-	(2,900)	(19,474)	-	(136,787)
Accumulated impairment	-	(4,953)	(4,013)	(769)	-	-	(256)	-	(9,991)
Net book amount at 31 December 2009	**286**	**130,172**	**2,005,322**	**572,209**	**-**	**6,941**	**70,354**	**26,661**	**2,811,945**
Opening net book amount	286	130,172	2,005,322	572,209	-	6,941	70,354	26,661	2,811,945
Additions	7,542	31	607	14,129	-	305	8,876	295,314	326,804
Acquisition of subsidiaries	-	-	180	-	976,074	435	2,157	1,044,188	2,023,034
In-kind contribution received	-	1,095	55,961	-	-	-	248	-	57,304
Disposals	-	-	-	-	-	-	(19)	-	(19)
Write-offs	-	(3)	(2,824)	(216)	-	(262)	(295)	(114)	(3,714)
Reclassifications between groups	-	472	20,470	(4,052)	400,269	1,151	(2,237)	(416,073)	-
Reclassification from inventories	-	-	-	-	4,233	47	-	-	4,280
Reclassification to intangible assets (Note 4)	-	-	-	-	-	-	(1,638)	-	(1,638)
Transferred upon spin-off to LITGRID Turtas AB (Note 39)	(1,961)	(35,096)	(1,934,150)	-	-	(1,798)	(43,986)	(47,157)	(2,064,148)
Reclassified to investment property (Note 6)	-	(1,937)	-	-	-	-	-	-	(1,937)
In-kind contribution to the share capital of subsidiaries and associates (Note 7)	-	(94,082)	(21,213)	-	-	(4,764)	(9,108)	-	(129,167)
Revaluation	-	11,535	(436)	-	-	1,482	3,501	-	16,082
Depreciation	-	(3,124)	(112,429)	(21,986)	(8,205)	(2,176)	(15,286)	-	(163,206)
(Impairment) / reversal	-	1,380	-	-		(31)	-	-	1,349
Net book amount at 31 December 2010 (restated)	**5,867**	**10,443**	**11,488**	**560,084**	**1,372,371**	**1,330**	**12,567**	**902,819**	**2,876,969**
Net book amount at 31 December 2010									
Cost or revalued amount	5,867	23,748	257,745	697,252	1,921,819	6,437	48,055	902,819	3,863,742
Accumulated depreciation	-	(7,999)	(242,244)	(136,399)	(472,297)	(5,076)	(34,760)	-	(898,775)
Accumulated impairment	-	(5,306)	(4,013)	(769)	(77,151)	(31)	(728)	-	(87,998)
Net book amount at 31 December 2010 (restated)	**5,867**	**10,443**	**11,488**	**560,084**	**1,372,371**	**1,330**	**12,567**	**902,819**	**2,876,969**

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 (restated)**	**Motor vehicles**	**Other PP&E**	**Construct-ion in progress**	**Total (restated)**
Year ended 31 December 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	-	619	678	198	708	115	76	268,665	271,059
Reclassifications from/to assets held for sale	-	(1,531)	2,063	-	-	41	213	-	786
Acquisition of subsidiaries (Note 7)	-	-	3,352	-	-	29	21,006	-	24,387
Write-offs	-	-	(4)	(133)	(134)	-	(20)	-	(291)
Disposals	-	-	-	(16)	(292)	(168)	-	-	(476)
Reclassifications between groups	-	-	1,060	4,508	(1,319)	-	1,048	(5,297)	-
Reclassification to intangible assets (Note 4)	-	-	-	-	-	-	(157)	(942)	(1,099)
Revaluation	(130)	7,928	10,816	214	-	41	(6,149)	2,275	14,995
Depreciation	-	(363)	(1,841)	(27,535)	(40,667)	(350)	(1,164)	-	(71,920)
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**
At 31 December 2011									
Cost or revalued 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**

5 *Property, plant, and equipment (continued)*

In December 2011, independent valuation of the Group's property, plant and equipment stated at revalued amount was carried out. The total effect of revaluation amounted to LTL 14,995 thousand and was recognised as follows:

Increase recognised in other comprehensive income and revaluation reserve in equity	Income (expenses) recognised in profit and loss	Total revaluation effect
6,590	8,405	14,995

In October 2010, revaluation of a part of the Group's property, plant and equipment (including in-kind contributions to the share capital of subsidiaries and associates) was carried out. The total effect of revaluation amounted to LTL 16,082 thousand and was recognised as follows:

Increase recognised in other comprehensive income and revaluation reserve in equity	Income (expenses) recognised in profit and loss	Total revaluation effect
27,460	(11,378)	16,082

As described in Note 3, as at 31 December 2011 and 2010, the Group's management decided not to recognise additional revaluation/impairment in respect of property, plant and equipment.

5 *Property, plant, and equipment (continued)*

The structure of the Company's property, plant and equipment as at 31 December 2011 and 31 December 2010 was 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 (restated)**	**Motor vehicles**	**Other PP&E**	**Construct-ion in progress**	**Total (restated)**
Net book amount at 31 December 2009									
Cost or revalued amount	286	100,785	2,003,654	687,391	-	8,416	90,936	27,209	2,918,677
Accumulated depreciation	-	-	-	(114,413)	-	(2,560)	(19,387)	-	(136,360)
Accumulated impairment	-	(145)	(1,224)	(769)	-	-	(728)	-	(2,866)
Net book amount at 31 December 2009	**286**	**100,640**	**2,002,430**	**572,209**	**-**	**5,856**	**70,821**	**27,209**	**2,779,451**
Year ended 31 December 2010									
Opening net book amount	286	100,640	2,002,430	572,209	-	5,856	70,821	27,209	2,779,451
Additions	7,542	31	580	14,129	-	280	8,876	295,314	326,752
Merger of Lietuvos Elektrinė AB (Note 7)	-	-	-	-	976,074	-	-	1,044,188	2,020,262
In-kind contribution received	-	1,095	55,961	-	-	-	248	-	57,304
Disposals	-	-	(36)	-	-	(31)	(19)	-	(86)
Write-offs	-	(3)	(1,666)	(2)	-	-	(15)	(114)	(1,800)
Reclassifications between groups	-	472	20,470	(4,052)	400,269	1,151	(2,237)	(416,073)	-
Reclassification from inventories	-	-	-	-	4,233	47	-	-	4,280
Reclassification to intangible assets (Note 4)	-	-	-	-	-	-	(1,243)	-	(1,243)
Transferred upon spin-off to LITGRID Turtas AB (Note 39)	(1,961)	(33,336)	(1,933,911)	-	-	-	(35,449)	(47,538)	(2,052,195)
Reclassification to investment property (Note 6)	-	(1,696)	-	-	-	-	-	-	(1,696)
In-kind contribution to the share capital of subsidiaries and associates (Note 7)	-	(75,701)	(21,213)	-	-	(6,138)	(30,083)	-	(133,135)
Revaluation	-	11,535	(436)	-	-	1,482	3,501	-	16,082
Depreciation		(2,773)	(111,705)	(21,986)	(8,205)	(1,980)	(13,984)	-	(160,633)
Net book amount at 31 December 2010 (restated)	**5,867**	**264**	**10,474**	**560,298**	**1,372,371**	**667**	**416**	**902,986**	**2,853,343**

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 (restated)	Motor vehicles	Other PP&E	Construct-ion in progress	Total (restated)
Net book amount at 31 December 2010									
Cost or revalued amount	5,867	415	11,698	697,466	1,921,819	5,238	34,515	902,986	3,580,004
Accumulated depreciation	-	-	-	(136,399)	(472,297)	(4,540)	(33,371)	-	(646,607)
Accumulated impairment	-	(151)	(1,224)	(769)	(77,151)	(31)	(728)	-	(80,054)
Net book amount at 31 December 2010 (restated)	**5,867**	**264**	**10,474**	**560,298**	**1,372,371**	**667**	**416**	**902,986**	**2,853,343**
Year ended 31 December 2011									-
Opening net book amount	5,867	264	10,474	560,298	1,372,371	667	416	902,986	2,853,343
Additions	-	-	-	198	708	16	15	268,562	269,499
Disposals	-	-	-	(133)	(134)	-	-	-	(267)
Write-offs	-	-	-	(16)	(292)	(168)	-	-	(476)
Reclassifications between groups	-	-	-	4,508	(1,319)	-	-	(3,189)	-
Reclassification to intangible assets (Note 4)	-	-	-	-	-	-	-	(942)	(942)
Revaluation	(130)	1,179	1,425	-	-	(20)	(82)	-	2,372
Depreciation	- -	(5)	(746)	(27,535)	(40,667)	(152)	(177)	-	(69,282)
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**
At 31 December 2011									
Cost or revalued 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**

5 *Property, plant, and equipment (continued)*

In December 2011, independent valuation of the Company's property, plant and equipment stated at revalued amount was carried out. The total effect of revaluation amounted to LTL 2,372 thousand and was recognised as follows:

Increase recognised in other comprehensive income and revaluation reserve in equity	Income (expenses) recognised in profit and loss	Total revaluation effect
2,653	(281)	2,372

In October 2010, revaluation of a part of the Company's property, plant and equipment (including in-kind contributions to the share capital of subsidiaries and associates) was carried out. The total effect of revaluation amounted to LTL 16,082 thousand and was recognised as follows:

Increase recognised in other comprehensive income and revaluation reserve in equity	Income (expenses) recognised in profit and loss	Total revaluation effect
27,462	**(11,380)**	**16,082**

As at 31 December 2011, the Group pledged to the banks property, plant and equipment with the value of LTL 422,627 thousand (31 December 2010: LTL 303,156 thousand). As at 31 December 2011, the Company pledged to the banks property, plant and equipment with the value of LTL 413,364 thousand (31 December 2010: LTL 303,156 thousand).

In 2011, the Group's interest expenses were capitalised at an average interest rate of 3.95 per cent (2010: 4.11 per cent) on borrowings related to the development of non-current assets amounting to LTL 30,764 thousand (2010: LTL 7,961 thousand).

Net book amounts of property, plant and equipment acquired by the Group under financial lease contracts as at 31 December 2011 and 31 December 2010 were as follows:

Category of PP&E	**At 31 December 2011**	**At 31 December 2010**
Plant and machinery	2,829	2,826
Motor vehicles	75	67
Total	**2,904**	**2,893**

The Group/Company has significant contractual commitments to purchase property, plant and equipment to be fulfilled in later periods. The Company's commitments to acquire and construct property, plant and equipment amounted to LTL 115 million as at 31 December 2011 (31 December 2010: LTL 279 million).

The table below includes the carrying amounts of the Company's and the Group's property, plant and equipment that would have been recognised if the cost method had been used in accounting for assets as at 31 December 2011 and 31 December 2010:

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**
At 31 December 2011									
Net book amount	**5,867**	**11,064**	**18,354**	**537,320**	**1,330,667**	**910**	**27,449**	**1,167,520**	**3,099,151**
At 31 December 2010									
Net book amount	**5,867**	**10,443**	**3,718**	**560,084**	**1,372,371**	**1,330**	**12,567**	**902,819**	**2,869,199**

Company	**Land**	**Buildings**	**Structures and equipment**	**Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant**	**Motor vehicles**	**Other PP&E**	**Construct-ion in progress**	**Total**	**Land**
At 31 December 2011									
Net book amount	**5,867**	**100**	**2,669**	**537,320**	**1,330,667**	**361**	**238**	**1,167,417**	**3,044,639**
At 31 December 2010									
Net book amount	**5,867**	**264**	**2,704**	**560,298**	**1,372,371**	**667**	**416**	**902,986**	**2,845,573**

6 *Investment property*

	Group	Company
At 31 December 2009		
Cost	24,441	44,907
Accumulated depreciation	(6,362)	(1,514)
Accumulated impairment	(819)	(6,362)
Net book amount at 31 December 2009	**17,260**	**37,031**
Year ended 31 December 2010		
Opening net book amount	17,260	37,031
In-kind contribution to the share capital of subsidiaries and associates (Note 7)	(16,933)	(35,314)
Transferred upon spin-off to LITGRID Turtas AB (Note 39)	-	(917)
Reclassifications from/to property, plant and equipment (Note 5)	1,937	1,696
Depreciation charge	(412)	(644)
Net book amount at 31 December 2010	**1,852**	**1,852**
At 31 December 2010		
Cost	2,143	2,143
Accumulated depreciation	(291)	(291)
Net book amount at 31 December 2010	**1,852**	**1,852**
Year ended 31 December 2011		
Opening net book amount	1,852	1,852
Depreciation charge	(28)	(28)
Net book amount at 31 December 2011	**1,824**	**1,824**
At 31 December 2011		
Cost	2,143	2,143
Accumulated depreciation	(319)	(319)
Net book amount at 31 December 2011	**1,824**	**1,824**

As estimated by the Company and based on observable market data, the fair value of the Group's and the Company's investment property as at 31 December 2011 and 31 December 2010 approximated its book value.

In 2011, the Group's and the Company's income from lease of investment property amounted to LTL 16 thousand and LTL 137 thousand, respectively (2010: LTL 491 thousand and LTL 761 thousand, respectively). The average maturity term of lease contracts was 2 years as at 31 December 2011 and 31 December 2010.

7 Investments

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

Subsidiary **At 31 December 2011**	**Cost**	**Impairment**	**Carrying amount**
Technologijų ir Inovacijų Centras UAB	43,601	-	43,601
Kauno Energetikos Remontas UAB	31,341	(21,041)	10,300
Energijos Tiekimas UAB	750	-	750
Total	**75,692**	**(21,041)**	**54,651**

Subsidiary **At 31 December 2010**	**Cost**	**Impairment**	**Carrying amount**
Kauno Energetikos Remontas UAB	31,341	(21,041)	10,300
Data Logistics Center UAB	12,847	-	12,847
Energijos Tiekimas UAB	750	-	750
Total	**44,938**	**(21,041)**	**23,897**

Movements of investments in subsidiaries for the periods ended 31 December 2011 and 31 December 2010 were as follows:

	Company at 31 December 2011	**Company at 31 December 2010**
Carrying amount as at 1 January	**23,897**	**19,564**
Acquisition and increase in share capital of subsidiaries	43,601	635,695
Merger with Lietuvos Elektrinė AB	-	(598,960)
Transferred upon spin-off to LITGRID Turtas AB (Note 39)	-	(18,038)
Reduction of share capital of subsidiary	-	(1,250)
Impairment of investments	-	(5,600)
Disposal of subsidiaries (by contribution to associates)	(12,847)	(7,514)
Carrying amount at 31 December	**54,651**	**23,897**

2011

Acquisition of additional shares of Technologijų ir Inovacijų Centro UAB and disposal of Data Logistic Centras UAB

On 23 December 2011, the Company and Technologijų ir Inovacijų Centras UAB signed an Agreement for the Subscription of Shares, based on which Lietuvos Energija AB subscribed for 32,163,004 newly issued ordinary registered shares of Technologijų ir Inovacijų Centras UAB with par value of LTL 1 each. The total issue price was equal to LTL 34,414 thousand and it was paid by in-kind contribution of 12,847,295 ordinary registered intangible shares of Data Logistics Center UAB with par value of LTL 1 each, which made up 100% of the latter company‘s authorised share capital, with the carrying amount of LTL 12,847 thousand as at 31 December 2011. On the date of acquisition, Technologijų ir Inovacijų Centras UAB was an associate of Lietuvos Energija AB. As a result of this transaction, the Company‘s ownership interest in Technologijų ir Inovacijų Centras UAB increased from 20.72% to 54.04%.

7 Investments (continued)

As a result of acquisition, control was obtained over the associate Technologijų ir Inovacijų Centras UAB and public enterprise Respublikinis Energetikų Mokymo Centras (controlled through Technologijų ir Inovacijų Centras UAB). The acquisition of these companies was recognised as at 31 December 2011 and the carrying amounts of assets and liabilities acquired were as follows:

	Carrying amounts (in LTL)		
	Technologijų ir Inovacijų Centras UAB	**Respublikinis Energetikų Mokymo Centras VŠĮ**	**Total**
Non-current intangible assets (Note 4)	3,092	-	3,092
Property, plant and equipment (Note 5)	24,201	186	24,387
Investments in subsidiaries and associates	36,255	-	36,255
Inventories	212	62	274
Current accounts receivable	2,474	275	2,749
Cash and cash equivalents	11,771	177	11,948
Non-current liabilities	(179)	(95)	(274)
Deferred income tax liabilities	(1,070)	-	(1,070)
Current accounts payable and other liabilities	(6,087)	(1,741)	(7,828)
Net assets acquired	**70,669**	**(1,136)**	**69,533**
Purchase consideration:			**(43,354)**
Paid as in-kind contribution by subsidiary's shares			(34,414)
Associate's net assets disposed			(8,940)
Difference accounted in equity attributable to:			**26,179**
Owners of the Company			(5,778)
Non-controlling interest			31,957

Lietuvos Energija AB and Lietuvos Elektrinė AB

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 Lietuvos Energija AB, which continues the activities of 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.

On 21 July 2011, Lietuvos Energija AB was registered with the Register of Legal Entities. The Company's code is 302648707, VAT payer's code is LT100006256115. Lietuvos Energija AB was established as a result of implementation of the National Energy Strategy, i.e. as a result of reorganisation by way of merger of 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.

The merger of companies took place on 1 September 2010, i.e. on the date when Lietuvos Energija AB obtained control over Lietuvos Elektrinė AB. The effect of merger on the Company's statement of financial position as at 31 December 2010 and the statement of comprehensive income for the year then ended is disclosed in Note 40.

2010

On 18 August 2010, Lietuvos Energija AB acquired 133,065,125 ordinary registered shares of Lietuvos Elektrinė AB, which comprised 91.27 per cent of the share capital of Lietuvos Elektrinė AB. These shares of Lietuvos Elektrinė AB were used by Visagino Atominė Elektrinė UAB to pay for the increase in the Company's share capital. On 8 October 2010, the Company acquired additional 6,227,836 ordinary registered shares with par value of LTL 1 each of Lietuvos Elektrinė AB from Visagino Atominė Elektrinė UAB comprising 4.27 per cent of the share capital of Lietuvos Elektrinė AB and as at 31 December 2010 owned in total 139,292,961 shares of Lietuvos Elektrinė AB comprising 95.54 per cent of the share capital of Lietuvos Elektrinė AB.

7 Investments (continued)

Assets and liabilities of Lietuvos Elektrinė AB acquired in the acquisition transaction were as follows (before correction of errors):

	Carrying amount
Non-current intangible assets	10,243
Property, plant and equipment	2,097,413
Prepayments for property, plant, equipment	80,510
Non-current accounts receivable and other non-current assets	2,640
Inventories	139,600
Current accounts receivable	103,114
Cash and cash equivalents	21,823
Grants	(848,052)
Non-current borrowings	(351,317)
Deferred income tax liabilities	(111,446)
Provisions for emission allowances	(46,911)
Current borrowings	(17,967)
Current accounts payable and other liabilities	(65,122)
Net assets acquired	**1,014,528**
Purchase consideration:	**(598,960)**
Paid as in-kind contribution by issuing shares	(572,180)
Paid as in-kind contribution by offsetting a loan (Note 11)	(26,780)
Difference accounted in equity attributable to:	**415,568**
Owners of the Company	370,320
Non-controlling interest	45,248

The Group and the Company consolidated revenue and results of operation of Lietuvos Elektrinė AB for the period from September to December 2010 amounting to LTL 247,480 thousand and LTL 16,110 thousand, respectively. Had Lietuvos Elektrinė AB been acquired since 1 January 2010, the Group's revenue and net result would amount to LTL 1,760,700 thousand and LTL 113,369 thousand, respectively.

Energijos Tiekimas UAB was established at the end of 2009. The principal activities of Energijos Tiekimas UAB include an independent supply of electricity, including supply, planning, forecasting, balancing, purchase, sale, import, export of electricity and other directly related activities. Since 2010, the Company has been acting as independent supplier in Lithuania. During 2010, the Company paid up the share capital of LTL 350 thousand of Energijos Tiekimas UAB.

In accordance with the decisions passed at the General Shareholder Meeting held on 28 September 2010, by concluding the Share Subscription Agreement, on 13 October 2010 Lietuvos Energija AB acquired 22,468,259 newly issued ordinary registered shares of Technologijų ir Inovacijų Centras UAB with par value of LTL 1 (one) each comprising 50.66 per cent of the share capital of Technologijų ir Inovacijų Centras UAB. By concluding the Share Subscription Agreement, the Company and Technologijų ir Inovacijų Centras UAB agreed that the Company will pay for the newly issued ordinary registered shares of Technologijų ir Inovacijų Centras UAB with par value of LTL 1 (one) each by way of monetary and in-kind contributions. As a result, the Company disposed 1,500,000 ordinary registered intangible shares with par value of LTL 1 (one) each of InterLinks UAB (comprising 100 per cent of the share capital of InterLinks UAB) and 18,478 ordinary registered intangible shares with par value of LTL 1 (one) each of Kruonio Investicijos UAB (comprising 78.26 per cent of the share capital of Kruonio Investicijos UAB).

Data Logistics Center UAB was established on 1 September 2010. The principal activities of the company include the provision of data centres, data transmission, optical fibre lease and other telecommunication services to clients of the group of energy companies. On 30 November 2010, the authorised share capital of Data Logistics Center UAB was increased from LTL 50 thousand to LTL 12,847 thousand. The share issue was paid by way of in-kind contribution comprising property, plant and equipment.

7 Investments (continued)

A public enterprise Respublikinis Energetikų Mokymo Centras VŠĮ is a non-profit public legal entity of limited civil liability founded according to the procedure prescribed by the Law on Public Establishments. In accordance with decisions passed at the General Shareholder Meeting held on 28 September 2010, on 27 October 2010 Lietuvos Energija AB concluded the purchase-sale agreement with Technologijų ir Inovacijų Centras UAB and disposed all the shares in Respublikinis Energetikų Mokymo Centras VŠĮ.

In accordance with the decisions passed at the General Shareholder Meeting held on 28 September 2010, by concluding the Share Subscription Agreement, on 21 October 2010 Lietuvos Energija AB acquired 1,276,667 ordinary registered shares of Kruonio Investicijos UAB with par value of LTL 100 (one hundred) each comprising 41.1 per cent of the share capital of Kruonio Investicijos UAB. On 21 October 2010, the name of Kruonio Investicijos UAB was changed to NT Valdos UAB.

LITGRID UAB was established at the end of 2009. As the transmission system operator, with effect from 1 January 2010, LITGRID UAB is responsible for ensuring effective and reliable operation of the Lithuanian power system. Based on the decision of Lietuvos Energija AB, a sole shareholder of LITGRID UAB, made on 30 June 2010, LITGRID UAB was reorganised to a public limited liability company (AB). On 30 November 2010, in line with the implementation of the energy sector reorganisation plan, 100 per cent of shares of LITGRID AB were transferred to LITGRID Turtas AB, a company established as a result of spin-off from Lietuvos Energija AB.

In accordance with the decisions passed at the General Shareholder Meeting held on 28 September 2010, by concluding the Share Subscription Agreements, on 14 October 2010 the Company acquired 4,731,440 newly issued ordinary registered shares of ELEKTROS TINKLO PASLAUGOS UAB with par value of LTL 1 (one) each comprising 28.89 per cent of the share capital of ELEKTROS TINKLO PASLAUGOS UAB, and 3,454,350 newly issued ordinary registered shares of TETAS UAB with par value of LTL 1 (one) each comprising 60.97 per cent of the share capital of TETAS UAB. Shares of ELEKTROS TINKLO PASLAUGOS UAB acquired were paid by monetary and non-monetary contributions. By concluding the share subscription agreement the Company and TETAS UAB agreed that the Company shall pay for newly issued ordinary registered shares of TETAS UAB with par value of LTL 1 (one) each by way of monetary and non-monetary contributions. As a result, the Company transferred 430,400 ordinary registered shares of Energetikos Pajėgos UAB comprising 100 (one hundred) per cent of the share capital of Energetikos Pajėgos UAB to TETAS UAB.

On 30 November 2010, as a result of the implementation of the energy sector reorganisation plan, all shares of ELEKTROS TINKLO PASLAUGOS UAB and TETAS UAB, 29.94 per cent of shares of Technologijų ir Inovacijų Centras UAB and 0.4 per cent of shares of NT Valdos UAB were transferred to LITGRID Turtas AB, a company established on the basis of spin-off from Lietuvos Energija AB.

As the Group held control over TETAS UAB only from 14 October 2010 to 1 December 2010, i.e. the date of spin-off of LITGRID Turtas AB, information on the acquisition of this subsidiary is not disclosed.

In 2010 the acquisition and increase in share capital of subsidiaries was paid as follows: LTL 7,150 thousand in cash, LTL 24,479 thousand as in-kind contribution of intangible assets, property, plant and equipment and investment property (Notes 4, 5, 6), LTL 572,180 thousand by way of issuing shares (Note 14), LTL 5,006 thousand by disposing the shares of subsidiaries, LTL 26,780 thousand by offsetting loans and LTL 100 thousand by other assets (in 2009 – the entire amount of LTL 1,803 thousand was paid in cash).

Structure of the Group's investments in the associates and the joint venture as at 31 December 2011 and 31 December 2010 was as follows:

Group At 31 December 2011	**Cost**	**Ownership interest (% of shares)**	**Impairment and equity method**	**Carrying amount**
NT Valdos UAB	128,781	41.42	(9,152)	119,629
Nordic Energy Link AS	21,175	25.00	2,925	24,100
Geoterma UAB	7,396	23.44	(4,172)	3,224
Enmašas UAB	20	33.33	(7)	13
Total	**157,372**		**(10,406)**	**146,966**

Group At 31 December 2010	**Cost**	**Ownership interest (% of shares)**	**Impairment and equity method**	**Carrying amount**
NT Valdos UAB	126,941	41.10	499	127,440
Nordic Energy Link AS	21,175	25.00	1,914	23,089
Technologijų ir Inovacijų Centras UAB	9,187	20.72	(214)	8,973
Geoterma UAB	7,396	23.44	(4,195)	3,203
Enmašas UAB	20	33.33	(6)	14
Total	**164,719**		**(2,002)**	**162,719**

7 Investments (continued)

Structure of the Company's investments in the associates and the joint venture as at 31 December 2011 and 31 December 2010 was as follows:

Company At 31 December 2011	Cost	Ownership interest (% of shares)	Impairment charge	Carrying amount
NT Valdos UAB	126,941	41.10	-	126,941
Nordic Energy Link AS	21,175	25.00	-	21,175
Geoterma UAB	7,396	23.44	(3,864)	3,532
Total	**155,512**		**(3,864)**	**151,648**

Company At 31 December 2010	Cost	Ownership interest (% of shares)	Impairment charge	Carrying amount
NT Valdos UAB	126,941	41.10	-	126,941
Nordic Energy Link AS	21,175	25.00	-	21,175
Technologijų ir Inovacijų Centras UAB	9,188	20.72	-	9,188
Geoterma UAB	7,396	23.44	(3,864)	3,532
Total	**164,700**		**(3,864)**	**160,836**

On 30 November 2010, following the implementation of the energy sector reorganisation plan, all the shares of LitPolLink Sp.z.o.o were transferred to LITGRID Turtas AB, a company established as a result of spin-off from Lietuvos Energija AB.

The financial position as at 31 December 2011 and 31 December 2010 and operating results for the years then ended of the associates and the joint venture were as follows (unaudited):

At 31 December 2011	Assets	Liabilities	Sales revenue	Net profit (loss) for the year
NT Valdos UAB	298,932	10,113	54,997	(17,149)
Nordic Energy Link AS	294,810	203,594	47,683	4,043
Geoterma UAB	49,408	13,870	13,396	96
Enmašas UAB*	-	-	-	-

At 31 December 2010	Assets	Liabilities	Sales revenue	Net profit (loss) for the year
NT Valdos UAB	316,190	10,734	9,122	1,127
Technologijų ir Inovacijų Centras UAB	49,460	13,045	8,172	(3,068)
Nordic Energy Link AS	310,148	222,975	51,603	3,987
Geoterma UAB	52,518	37,741	14,649	(1,416)
Enmašas UAB*	-	-	-	-

*- at the date of signing these financial statements, the financial statements of this company for a corresponding period have not been presented. On 25 September 2009, Enmašas UAB was given the status of a company in liquidation.

7 Investments (continued)

Movements of investments in the associates and the joint venture for the periods ended 31 December 2011 and 31 December 2010 were as follows

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Carrying amount at 1 January	**162,719**	**160,836**	**25,837**	**24,853**
Acquisition of additional shares of Technologijų ir Inovacijų Centras UAB	(8,940)	(9,188)	-	-
Acquisition of associates*	1,840	-	157,564	155,051
Transferred to LITGRID Turtas AB (Note 39)	-	-	(21,610)	(19,942)
Impairment of investments	(916)	-	(146)	(146)
Reversal of impairment of investments	-	-	1,020	1,020
Share of other comprehensive income of associates and joint ventures arising on revaluation of property, plant and equipment	657	-	-	-
Share of changes of associates and joint ventures recognised directly in equity	(2,346)	-	-	-
Share of result of operations of associates and joint ventures, (loss)/profit	(6,048)	-	54	-
Carrying amount at 31 December	**146,966**	**151,648**	**162,719**	**160,836**

* Technologijų ir Inovacijų Centras UAB owns 0.32% of shares of NT Valdos UAB, therefore, the Group's ownership interest in NT Valdos UAB increased from 41.10% to 41.42%.

In 2010 the acquisition of associates was paid as follows:

	Group 2010	Company 2010
Contribution in cash	3,250	950
In-kind contribution of intangible assets, property, plant and equipment and investment property (Notes 4,5,6)	148,201	147,389
Other current assets	1,520	2,119
Shares of subsidiaries, at fair value	4,593	4,593
	157,564	**155,051**

8 Other non-current assets

The Group's and the Company's other non-current assets comprise as follows:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010 (restated)	Company at 31 December 2010 (restated)
Right to receive emission allowances in future	18,826	18,826	18,547	18,547
Less: impairment	(9,169)	(9,169)	-	-
Carrying amount at 31 December	**9,657**	**9,657**	**18,547**	**18,547**

As at 31 December 2011, 400,000 emission allowances were lent under the provisions of the lending agreement signed on 1 December 2009 with STX Services BV. Impairment of emission allowances was estimated with reference to the market prices of emission allowances as at 31 December 2011.

9 *Inventories*

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

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Heavy fuel oil	118,185	118,185	118,942	118,942
Spare parts	10,148	10,148	12,168	12,168
Materials	6,833	4,999	5,910	4,211
Goods for resale	1,126	1,126	29	29
Less: Write-down to net realisable value	(10,755)	(10,737)	(9,141)	(9,141)
Carrying amount	**125,537**	**123,721**	**127,908**	**126,209**

The cost of the Group's and the Company's inventories carried at net realisable value as at 31 December 2011 amounted to LTL 12,682 thousand and LTL 12,661 thousand, respectively (31 December 2010: LTL 16,293 thousand and LTL 11,747 thousand, respectively).

The Group's inventories expensed during the period ended 31 December 2011 amounted to LTL 18,770 thousand (2010: LTL 11,750 thousand). The Company's inventories expensed during the period ended 31 December 2011 amounted to LTL 6,415 thousand (2010: LTL 6,576 thousand).

Movements in impairment of inventories during the periods ended 31 December 2011 and 31 December 2010 are shown in the table below:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Impairment of inventories at 1 January	9,141	9,141	2,771	1,045
Write-down of inventories during the reporting period	2,229	2,229	9,062	9,062
Write-off of impairment	(35)	(35)	-	-
Transfer of impairment on spin-off	-	-	(403)	(381)
Acquisition of impairment upon acquisition of subsidiary	18	-	-	-
Reversal of inventory write-down	(598)	(598)	(2,289)	(585)
Impairment of inventories at 31 December	**10,755**	**10,737**	**9,141**	**9,141**

The impairment charge and reversal of inventory write-down were included in operating expenses in the statement of comprehensive income. In 2011, the Group/Company made additional write-downs to net realisable value for obsolete and slow-moving spare parts stored at the warehouse.

As at 31 December 2011, inventories pledged by the Group/Company amounted to LTL 26,000 thousand (31 December 2010: LTL 26,000 thousand) (Note 19).

10 Trade receivables

The Group's and the Company's trade receivables comprise as follows:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Receivables for electricity sold in Lithuania	130,081	117,075	179,398	158,690
Receivables for repair and designing works	9,310	-	7,012	-
Unbilled revenue from electricity-related sales *	96,030	96,030	5,173	5,173
Receivables for sales of thermal energy	4,289	4,289	-	-
Receivables for exported electricity	604	604	149	149
Other trade receivables	6,386	-	-	-
Total	**246,700**	**217,998**	**191,732**	**164,012**
Less: impairment allowance for doubtful receivables	(13,221)	(10,500)	(12,671)	(9,612)
Carrying amount	**233,479**	**207,498**	**179,061**	**154,400**

*As described in Note 3, the Group/Company recognised LTL 96,030 thousand in relation to receivable PSO service fees as a compensation of differences in gas prices.

The fair value of trade receivables approximates their carrying amounts.
Movements in impairment of trade receivable in the years ended 31 December 2011 and 31 December 2010 were as follows:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Carrying amount at 1 January	**12,671**	**9,612**	**11,733**	**10,024**
Reversal of impairment	(1,130)	-	(431)	(412)
Acquisition of impairment upon acquisition of subsidiary	72	-	-	-
Recognised as doubtful receivables during the reporting period	1,608	888	1,369	-
Carrying amount at 31 December	**13,221**	**10,500**	**12,671**	**9,612**

The impairment charge of doubtful receivables was included in other operating expenses in the statement of comprehensive income.

As at 31 December 2011 and 31 December 2010, the Group's and the Company's trade receivables, in respect of which impairment was recognised, mostly comprised trade receivables from Ekranas AB (LTL 9,612 thousand) which was bankrupt as of the date of the financial statements.

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

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Not past due	224,721	203,168	177,716	153,994
Past due up to 30 days	6,928	4,330	1,345	406
Past due from 30 to 60 days	578	-	-	-
Past due from 60 to 90 days	895	-	-	-
Past due over 90 days	357	-	-	-
Carrying amount	**233,479**	**207,498**	**179,061**	**154,400**

11 Other accounts receivable

The Group's and the Company's non-current other accounts receivable comprised as follows:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010 (restated)	Company at 31 December 2010 (restated)
Receivables for apartments	800	800	1,171	1,171
Receivables for emission allowances lent	626	626	626	626
Loan granted to Kauno Energetikos Remontas UAB	-	-	-	6,500
Total	**1,426**	**1,426**	**1,797**	**8,297**

Receivables for emission allowances lent represent future proceeds under the lending agreement signed with STX BV. Receivables were estimated at the present value of future payments.

The Group's and the Company's current other accounts receivable comprised as follows:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Other receivables	4,872	4,106	4,920	4,856
VAT receivable	3,725	3,632	12,671	12,671
Receivables for IT and telecommunications services	325	325	1,750	850
Loan granted to Kauno Energetikos Remontas UAB	-	6,500	-	150
Loan granted Technologijų ir Inovacijų Centras UAB	-	-	3,000	3,000
	8,922	**14,563**	**22,341**	**21,527**
Less: impairment provision for doubtful receivables	(1,915)	(1,915)	(1,400)	(1,400)
Carrying amount	**7,007**	**12,648**	**20,941**	**20,127**

The amount of the loan granted to LEO LT, AB is LTL 73,309 thousand, LTL 46,529 thousand of which was offset against dividends payable on 21 May 2010. On 12 July 2010, the debt transfer agreement was signed between Lietuvos Energija AB, LEO LT AB in liquidation and Visagino Atominė Elektrinė UAB, based on which the loan agreement was transferred to Visagino Atominė Elektrinė UAB. On 8 October 2010, the remaining balance owed by Visagino Atominė Elektrinė UAB of LTL 26,780 thousand was offset against the amount payable for shares of Lietuvos Elektrinė AB (Note 7).

On 9 April 2010, the credit line agreement was signed based on which Interlinks UAB was granted a credit line of LTL 3,000 thousand. The annual interest rate was set at 3.17 per cent. The repayment date of the credit line was 31 December 2010. On 13 October 2010, Lietuvos Energija AB acquired shares of Technologijų ir Inovacijų Centras UAB by paying for them through monetary and in-kind contributions along with 1,500,000 ordinary registered shares of InterLinks, UAB with par value of LTL 1 (one) each comprising 100 per cent of the share capital of InterLinks, UAB. On 5 January 2011, the Company concluded an additional arrangement with Technologijų ir Inovacijų Centras UAB based on which the credit line granted to Interlinks UAB was taken over by Technologijų ir Inovacijų Centras UAB. The credit was repaid in full on 30 April 2011.

On 8 January 2010, the Company concluded the agreement with subsidiary Energijos Tiekimas UAB for the credit line of LTL 7,300 thousand. The repayment date is LTL 31 December 2011. No amounts of the credit line were withdrawn as at 31 December 2011 and 2010.

On 28 January 2010, the credit line agreement was signed based on which Kauno Energetikos Remontas UAB was granted a credit line of LTL 2,500 thousand. According to this agreement until 30 April 2010 annual interest rate of 6.33 per cent was payable on any withdrawn amount of the credit line. As of 1 May 2010 the annual interest rate is set as three-month VILIBOR plus 3.5 per cent margin. The repayment date of the credit provided in the agreement is 31 December 2010. On 23 December 2010, an additional arrangement to the agreement was signed under which the limit of the credit line was established at LTL 6,500 thousand and the final repayment date of the credit was extended to 31 December 2012. In addition, Kauno Energetikos Remontas UAB assumed a commitment to pledge real estate with a market value equal to or exceeding the amount of the credit line for the benefit of Lietuvos Energija AB. Kauno Energetikos Remontas UAB also committed not to borrow from third parties and not to pledge assets or any non-property rights for the benefit of such third parties without a prior written consent of Lietuvos Energija AB.

Movements in impairment of doubtful other accounts receivable in the years ended 31 December 2011 and 31 December 2010 were as follows:

11 Other accounts receivable (continued)

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Carrying amount at 1 January	**1,400**	**1,400**	**3,676**	**3,676**
Reversal of impairment	(14)	(14)	(297)	(297)
Write-off of doubtful receivables	(1)	(1)	(2,848)	(2,848)
Recognised as doubtful receivables during the reporting period	530	530	869	869
Carrying amount at 31 December	**1,915**	**1,915**	**1,400**	**1,400**

In 2010, the Group/Company wrote off the amount uncollectible from the bank Litimpex in amount of LTL 2,840 thousand.

The impairment charge was included in other operating expenses in the statement of comprehensive income.

The ageing analysis of the Group's and the Company's current other accounts receivable not past due or past due but not impaired is as follows:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Not past due	6,983	12,624	19,373	18,691
Past due up to 30 days	24	24	297	165
Past due from 30 to 60 days	-	-	170	170
Past due over 60 days	-	-	1,101	1,101
Carrying amount	**7,007**	**12,648**	**20,941**	**20,127**

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

12 Cash and cash equivalents

The Group's and the Company's cash and cash equivalents comprised as follows:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Cash at bank and in hand	24,508	4,882	69,576	66,026
Overnight deposit at Swedbank AB (contract currency litas)	3,399	3,399	16,023	16,023
Overnight deposit at Swedbank AB (contract currency euro)	-	-	1,326	1,326
Carrying amount	**27,907**	**8,281**	**86,925**	**83,375**

The fair value of the Group's and the Company's cash and short-term deposits approximates their carrying amount.

According to the loan agreement signed with DnB NORD Bankas AB, the Group pledged current and future cash inflows into the bank account (Note 19). As at 31 December 2011, the balance with DnB NORD Bank AB pledged amounted to LTL 362 thousand (31 December 2010: LTL 1,991 thousand).

According to the syndicated loan agreement signed with Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD Bankas AB, the Group pledged current and future cash inflows into the accounts at these banks (Note 19). The balances in bank accounts pledged amounted to LTL 369 thousand as at 31 December 2011 (31 December 2010: LTL 126 thousand).

For the purposes of cash flow statement, cash and cash equivalents comprise as follows:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Cash and cash equivalents	27,907	8,281	86,925	83,375
Bank overdrafts (Note 19)	(6,557)	(5,388)	(26,522)	(12,988)
Carrying amount	**21,350**	**2,893**	**60,403**	**70,387**

13 Non-current assets held for sale

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Non-current assets of Kauno Energetikos Remontas UAB	1,740	-	2,623	-
Non-current assets acquired from Kauno Energetikos Remontas UAB	1,543	1,543	1,543	1,543
	3,283	**1,543**	**4,166**	**1,543**

Non-current assets held for sale comprise buildings, which are expected to be sold by the Group/Company in 2012.

14 Share capital and share premium

Lietuvos Energija AB started its activities on 1 September 2011 following the reorganisation by way of merger of Lietuvos Energija AB and Lietuvos Elektrinė AB. On the date of merger, the authorised share capital of Lietuvos Energija AB amounted to LTL 489,282,926 and was divided into 489,282,926 ordinary registered shares with par value of LTL 1 each, whereas the authorised share capital of Lietuvos Elektrinė AB amounted to LTL 145,800,689 and was divided into 145,800,689 ordinary registered shares with par value of LTL 1 each. Following the reorganisation, the authorised share capitals of both companies were merged. The shares of companies were exchanged into the shares of Lietuvos Energija AB as follows: 1.28 shares of the Company in exchange for 1 share of Lietuvos Energija AB, and 1.37 shares of the Company in exchange for 1 share of Lietuvos Elektrinė AB. The procedure of share exchange was defined in the Terms and Conditions of Reorganisation of Lietuvos Energija AB and Lietuvos Elektrinė AB which were approved by the decision of the Board during the meeting held on 11 May 2011.

As at 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 shares of Lietuvos Energija AB were included in the Main List of NASDAQ OMX Vilnius Stock Exchange on 1 September 2011. The highest share price at the Stock Exchange trading session in 2011 was LTL 0.499 per share, and the lowest share price was LTL 0.33 per share. The total number of shareholders as at 31 December 2011 was 6,589.

The shareholders' structure of the Company is as follows:

	Share capital at 31 December 2011		Share capital at 31 December 2010	
Shareholders	**(LTL)**	**%**	**(LTL)**	**%**
Visagino Atominė Elektrinė AB	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.

	Share capital		Share premium	
	(shares)	**(shares)**	**(LTL)**	**(LTL)**
	2011	**2010**	**2011**	**2010**
Number of shares at the beginning of the period	**635,083,615**	**689,515,435**	**295,767,304**	**2,744**
Issue of shares	-	304,098,871	-	325,385,644
Merger with Lietuvos Elektrinė AB (Note 40)	-	145,800,689	-	-
Reduction of the share capital as a result of spin-off of LITGRID Turtas AB (Note 39)	-	(504,331,380)	-	(29,621,084)
Number of shares at the end of the period	**635,083,615**	**635,083,615**	**295,767,304**	**295,767,304**

15 Revaluation reserve

Revaluation reserve comprises increase in value on revaluation of property, plant and equipment.

Group	**Revaluation reserve**	**Deferred income tax**	**Net of deferred income tax**
Balance at 31 December 2009	**407,259**	**(61,089)**	**346,170**
Depreciation of revaluation reserve	(29,091)	4,364	(24,727)
Increase in revaluation reserve	28,335	(4,250)	24,085
Written off upon transfer of in-kind contributions	(42,927)	6,439	(36,488)
Revaluation reserve transferred to LITGRID Turtas AB (Note 39)	(352,449)	52,867	(299,582)
Other adjustments	(1,029)	154	(875)
Balance at 31 December 2010	**10,098**	**(1,515)**	**8,583**
Balance at 31 December 2010	**10,098**	**(1,515)**	**8,583**
Depreciation of revaluation reserve	(882)	82	(800)
Increase in revaluation reserve	6,589	(988)	5,601
Other adjustments	351	-	351
Balance at 31 December 2011	**16,156**	**(2,421)**	**13,735**

Group	**Revaluation reserve**	**Deferred income tax**	**Net of deferred income tax**
Balance at 31 December 2009	**404,005**	**(60,601)**	**343,404**
Depreciation of revaluation reserve	(29,091)	4,364	(24,727)
Increase in revaluation reserve	28,335	(4,250)	24,085
Written off upon transfer of in-kind contributions	(42,001)	6,300	(35,701)
Revaluation reserve transferred to LITGRID Turtas AB (Note 39)	(352,449)	52,867	(299,582)
Other adjustments	(1,029)	154	(875)
Balance at 31 December 2010	**7,770**	**(1,166)**	**6,604**
Balance at 31 December 2010	**7,770**	**(1,166)**	**6,604**
Depreciation of revaluation reserve	(546)	82	(464)
Increase in revaluation reserve	2,653	(398)	2,255
Balance at 31 December 2011	**9,877**	**(1,482)**	**8,395**

16 Legal reserve

The legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital.

As at 31 December 2011, the Group's legal reserve amounted to LTL 35,972 thousand and the Company's legal reserve amounted to LTL 35,867 thousand (31 December 2010: LTL 35,867 thousand and LTL 35,867 thousand, respectively).In 2011, the Group's subsidiaries transferred in total LTL 105 thousand to the legal reserve.

In 2010, a part of the legal reserve amounting to LTL 47,665 thousand at the Company and LTL 47,730 thousand at the Group was transferred to LITGRID Turtas AB during the spin-off (Note 39).

17 Other reserves

The Group's and the Company's other reserves comprised as follows:

Group	**Reserve for share capital reduction due to transfer of heavy fuel oil storage facilities**	**Reserve for investments**	**Non-current asset-related reserves**	**Total**
Balance at 31 December 2009	**(63,777)**	-	-	**(63,777)**
Acquisition of Lietuvos Elektrinė AB	-	116,883	664,669	781,552
Balance at 31 December 2010	**(63,777)**	**116,883**	**664,669**	**717,775**
Balance at 31 December 2010	**(63,777)**	**116,883**	**664,669**	**717,775**
Reserves utilised	-	-	-	-
Balance at 31 December 2011	**(63,777)**	**116,883**	**664,669**	**717,775**

Upon the transition to IFRS on 1 January 2004, the equity of subsidiary Lietuvos Elektrinė AB increased by LTL 721,107 thousand. In order to impose restrictions on the ability to distribute this increase, a reserve related to non-current assets was established. As at 31 December 2011 and 2010, the amount of this reserve attributable to the owners of the Group was LTL 664,669 thousand.

As at 31 December 2010, the Company's reserve for investments was LTL 116,883 thousand. It was established to accumulate funds for the construction and development of non-current assets. A decision on the use of these funds is to be made by the shareholders.

Company	**Reserve for share capital reduction due to transfer of heavy fuel oil storage facilities**	**Reserve for investments**	**Non-current asset-related reserves**	**Total**
Balance at 31 December 2009	**(63,777)**	-	-	**(63,777)**
Merger with Lietuvos Elektrinė AB (Note 40)	-	116,883	664,669	781,552
Balance at 31 December 2010	**(63,777)**	**116,883**	**664,669**	**717,775**
Balance at 31 December 2010	**(63,777)**	**116,883**	**664,669**	**717,775**
Reserves utilised	-	-	-	-
Balance at 31 December 2011	**(63,777)**	**116,883**	**664,669**	**717,775**

The reserve for the reduction of the share capital due to the transfer of heavy fuel oil storage facilities is the negative reserve for the reduction of the share capital which was established in 1999 as a result of the transfer of heavy fuel oil storage facilities to VĮ Vilniaus Mazuto Saugykla. Although expected, the share capital has not been reduced by this amount until now.

18 Dividends per share

The Ordinary General Meeting of Shareholders of LIETUVOS ENERGIJA AB held on 29 April 2011 resolved to pay out dividends of LTL 0.182 per share from retained earnings as at 1 January 2011.

	At 31 December 2011	**At 31 December 2010**
Amount of dividends (LTL'000)	89,050	48,266
Weighted average number of shares (units)	635,083,615	813,083,018
Dividends per share (LTL)	**0.14**	**0.06**

19 Borrowings

The Group's and the Company's borrowings by maturity grouping are presented below:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Non-current borrowings				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD Bankas AB,) in EUR, to be repaid by 9 November 2020	74,194	74,194	88,447	88,447
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	245,149	245,149	191,521	191,521
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB and Danske Bank A/S, Lithuania Branch) in EUR, to be repaid by 3 June 2016	281,058	281,058	217,625	217,625
Loan from DnB NORD AB, in EUR, to be repaid by 1 May 2013	1,857	1,857	5,571	5,571
Total non-current borrowings	**602,258**	**602,258**	**503,164**	**503,164**
Current borrowings				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD Bankas AB) in EUR, to be repaid by 9 November 2020	15,441	15,441	14,253	14,253
Overdraft from Danske Bank A/S, Lithuania Branch, maturity – 30 July 2012	5,388	5,388	13,534	-
Overdraft from Danske Bank A/S, Lithuania Branch, maturity – 28 March 2012	1,169	-	12,988	12,988
Loan from DnB NORD AB, in EUR, to be repaid by 1 May 2013	3,714	3,714	3,714	3,714
Credit line from Swedbank AB, maturity term – 1 March 2012	13,000	13,000	-	-
Loan from the European Bank for Reconstruction and Development, accrued interest	1,196	1,196	873	873
Total current borrowings	**39,908**	**38,739**	**45,362**	**31,828**

As at 31 December 2011, the Group's non-current and current borrowings comprised as follows:

On 1 July 2003, a loan agreement was concluded with the bank DnB NORD AB for the amount of EUR 3,765 thousand (LTL 13,000 thousand) and the repayment date of 1 May 2013.

On 30 June 2004, a loan agreement and related amendments were concluded with Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD AB for the amount of EUR 49,000 thousand (LTL 169,187 thousand) and the repayment date of 9 November 2020.

On 31 March 2010, a loan agreement was concluded with Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD AB and Danske Bank A/S for the amount of EUR 81,400 thousand (LTL 281,058 thousand) and the repayment date of 3 June 2016.

On 18 February 2010, a agreement was concluded with the European Bank for Reconstruction and Development for the loan of EUR 71,000 thousand (LTL 245,149 thousand) and the repayment date of 18 February 2025.

The limit of overdraft granted by Danske Bank A/S, Lithuania Branch is LTL 10,000 thousand. The overdraft agreement expires on 28 March 2012.

On 30 March 2011, the limit of overdraft granted by Danske Bank A/S, Lithuania Branch is LTL 17,000 thousand, maturity date is 30 July 2012.

The total limit of overdraft granted by Swedbank AB is LTL 13,000 thousand. The overdraft agreement expires on 1 March 2012.

19 Borrowings (continued)

As at 31 December 2011, according to the above-mentioned agreements the balances of undrawn loans and overdrafts of the Group amounted to LTL 107,424 thousand (31 December 2010: LTL 120,527 thousand). As at 31 December 2011, the balances of undrawn loans and overdrafts of the Company amounted to LTL 98,593 thousand (31 December 2010: LTL 117,061 thousand).

The Company has assumed the following obligations under the loan agreements:
The Company has assumed an obligation to DnB NORD AB to pledge all current and future cash inflows into the accounts opened at this bank (Note 12). The Company has also pledged fuel reserves held under the right of ownership and stored at Elektrinės St. 21, in Elektrėnai, for the market value not lower than LTL 26,000 thousand (Note 9), and assets pledged should be insured by the insurer agreed with the bank and indicating the bank as a beneficiary.

The Company has assumed an obligation to Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB to pledge to the banks appropriate non-current assets with the carrying amount not lower than LTL 340 million (Note 5), all cash balances in all bank accounts held at banks registered in Lithuania (Note 12); it is also committed to carry out its operations only through the accounts held at these banks.

The Company has assumed an obligation to Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB and Danske Bank A/S, Lithuania Branch to pledge the entire Project, i.e. immovable, tangible and intangible assets pertaining to the unit of 400 MW combined cycle gas turbine or developed in the course of the Project, all current and future cash balances in all current and future accounts opened at these banks, and all property rights arising from property insurance contracts associated with the Project. The assets under construction are not pledged as long as the construction of a block of a combined cycle gas turbine is in progress.

Under the loan agreements, the Company is also required to comply with certain financial and non-financial covenants.

As at 31 December 2011, Lietuvos Energija AB did not comply with the covenant stipulated in the Syndicated Loan Agreement No. 10-021291-IN signed on 31 March 2010 with Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc Lithuania Branch, DNB Bankas AB and Danske Bank A/S Lithuania Branch (hereinafter collectively "the Banks"). The requirement to maintain debt to EBITDA ratio not higher than 7 was breached. This ratio was exceeded by 1.6. In addition, the Company has a commitment not to make investments in other companies (including, but not limited to, investments in equity shares, bonds or other securities of companies), and not to establish new companies (separately or jointly with other partners) without obtaining a written consent from the majority of the Banks. On 23 December 2011, the Company signed an agreement for the subscription of shares of Technologijų ir Inovacijų Centras UAB. The Company did not refer to the Banks to obtain their consent for this transaction, which was in breach of the above-mentioned covenant. Based on the provisions of the Syndicated Loan Agreement, the Banks have a right to require a prior repayment of the loan in full or in part. In view of these provisions, the balance of the loan amounting to LTL 281,058 thousand as at 31 December 2011 should be reclassified in the Company's financial statements as current borrowings.

As at 31 December 2011, the Company did not comply with the above-mentioned covenant not to make any investments in other companies without obtaining a written consent from the majority of the Banks as stipulated in the Syndicated Loan Agreement signed on 30 June 2004 with Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc Lithuania Branch, DNB Bankas AB (hereinafter collectively "the Banks"). In view of these provisions, the balance of the loan amounting to LTL 89,635 thousand as at 31 December 2011 should be reclassified as current borrowings.

On 8 March 2012, the Company received a letter from the Banks confirming that the Banks will not exercise their right to require a prior repayment of credit in full or in part in 2012. Based on this letter, the Company's management resolved not to reclassify this loan as current borrowings.

As at 31 December 2010, the Company did not comply with the financial covenants stipulated in loan agreements in terms of debt to EBITDA ratio and cash flows from operating activities. The Group's management believe it is unlikely that the lenders will take any actions in respect of these loans, therefore, the classification of LTL 409,146 thousand loans as at 31 December 2010 as non-current borrowings by contractual maturities is appropriate.

As at 31 December 2011, the fair value of Group borrowings was equal to approx. LTL 689,134 thousand (31 December 2010: LTL 549,653 thousand). As at 31 December 2011, the fair value of Company's borrowings was equal to approx. LTL 687,965 thousand (31 December 2010: LTL 536,119 thousand).

The table below presents data on the Group's borrowings by repricing intervals:

	Group At 31 December 2011	**Company At 31 December 2011**	**Group At 31 December 2010**	**Company At 31 December 2010**
1 to 3 months	300,615	299,446	244,147	230,613
3 to 6 months	340,355	340,355	303,506	303,506
Total borrowings	**640,970**	**639,801**	**547,653**	**534,119**

As at 31 December 2011 and 31 December 2010, the Company and the Group had no other committed undrawn credit facilities.

20 Finance lease liabilities

The Group's future minimum finance lease payments for equipment and other assets comprise as follows:

Group	At 31 December 2011		At 31 December 2010	
	Minimum finance lease payments	**Present value of minimum finance lease payments**	**Minimum finance lease payments**	**Present value of minimum finance lease payments**
Finance lease payments:				
No later than 1 year	596	584	532	511
Later than 1 year an no later than 5 years	322	319	865	851
Minimum finance lease payments	**918**	**903**	**1,397**	**1,362**
Less: future finance charges	(15)	-	(35)	-
Present value of minimum finance lease payments	**903**	**903**	**1,362**	**1,362**

The Group's finance lease liabilities are secured by the lessor's right into the lessee's assets acquired under finance lease (Note 5).

The Company did not have any finance lease liabilities as at 31 December 2011 and 31 December 2010.

The fair value of the finance lease liabilities approximates their carrying amount.

21 Grants

The balance of grants represents grants received to finance the acquisition of assets. Movement of grants in 2011 and 2010 was as follows:

Group/Company	Assets-related grants			
	Fuel combustion equipment and other assets	**Project for renovation, improvement of environmental and safety standards**	**Grants for emission allowances**	**Total**
Balance at 1 January 2010	**71,420**	**-**	**-**	**71,420**
Merger with Lietuvos Elektrinė AB	525	841,554	5,973	848,052
Depreciation of immovable property, plant and equipment	(2,643)	(561)	-	(3,204)
Grants received	-	5,169	-	5,169
Utilisation of grant for emission allowances	-	-	(5,973)	(5,973)
Transferred upon spin-off to Litgrid Turtas AB (Note 39)	(42,507)	-	-	(42,507)
Balance at 31 December 2010	**26,795**	**846,162**	**-**	**872,957**
Balance at 1 January 2011	**26,795**	**846,162**	-	**872,957**
Depreciation of immovable property, plant and equipment	(2,109)	(9,626)	-	(11,735)
Grants received	69,167	78,180	26,701	174,048
Utilisation of grant for emission allowances	-	-	(26,701)	(26,701)
Balance at 31 December 2011	**93,853**	**914,716**	**-**	**1,008,569**

In 2011, assets-related grants decreased by LTL 11,735 thousand, i.e. by the amount of depreciation of property, plant and equipment (2010: LTL 3,177 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income.

21 Grants (continued)

In 2011, the Company received a grant of LTL 79,447 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 (2010: LTL 5,169 thousand).

In 2011, the Company received PSO service fees amounting to LTL 67,900 thousand for the construction of Unit No.9 of the Lithuanian Power Plant.

22 Other non-current accounts payable and liabilities

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010 (restated)	Company at 31 December 2010 (restated)
PSO service fees received in advance (Note 2.31)	39,313	39,313	49,607	49,607
Non-current payables for material valuables	4,368	4,368	4,703	4,703
Provisions for pension benefits and indemnification for damages	1,984	1,710	1,448	1,448
Liability related to guarantees for Nordic Energy Link	472	472	718	718
Total	**46,137**	**45,863**	**56,476**	**56,476**

Provisions for pension benefits represent payable amounts calculated in accordance with the Lithuanian laws. Each employee at retirement age is entitled to receive a payment of 2 monthly salaries upon retirement.

Current portion of PSO service fees received in advance is included in advance amounts received (Note 25).

23 Income tax

Income tax expense as at 31 December 2011 and 31 December 2010 comprised as follows:

	Group 2011	Company 2011	Group 2010	Company 2010
Income tax expense components:				
Current income tax	14,215	12,512	24,146	23,239
Adjustment of previous year income tax*	(8,621)	(8,621)	(7,732)	(7,732)
Other adjustments to deferred income tax			(1,147)	114
Deferred income tax (income)	(4,845)	(3,056)	(25,000)	(27,306)
Income tax expense (income) for the reporting period	**749**	**835**	**(9,733)**	**(11,685)**

*Adjustment of previous year income tax is related to the investment relief applied to taxable profit for 2010 and 2009.

23 Income tax (continued)

Movements in deferred income tax assets and liabilities during the reporting period are as follows:

Group	PP&E revaluation (impairment)	Bad debts	Accrued charges	Impairment of assets	Total
Deferred income tax assets					
At 31 December 2009	**176,592**	**1,912**	**656**	**14,563**	**193,723**
Recognised in the statement of comprehensive income	(9,364)	(62)	6,821	(2,602)	(5,207)
Transferred to LITGRID Turtas AB	(2,196)	-	(97)	(11,470)	(13,763)
In-kind contributions	-	-	165	-	165
At 31 December 2010	**165,032**	**1,850**	**7,545**	**491**	**174,918**
At 31 December 2010	**165,032**	**1,850**	**7,545**	**491**	**174,918**
Recognised in the statement of comprehensive income	(6,472)	133	716	(644)	(6,267)
Acquisition of subsidiary	-	-	214	-	214
Recognised in the statement of changes in equity	-	-	-	351	351
At 31 December 2011	**158,560**	**1,983**	**8,475**	**198**	**169,216**

Group	PP&E revaluation (increase in value)	Differences in depreciation rates	Tax relief on acquisition of PP&E	Other	Total
Deferred income tax liabilities					
At 31 December 2009	**(405,264)**	**(1,156)**	**(22,678)**	**(182)**	**(429,280)**
Recognised in the statement of comprehensive income	29,942	424	2,167	75	32,608
Merger with Lietuvos Elektrinė AB	(108,539)	(3,072)	-	-	(111,611)
Transferred upon spin-off to LITGRID Turtas AB	197,493	723	10,915	-	209,131
In-kind contributions	(4,250)	-	-	-	(4,250)
At 31 December 2010	**(290,618)**	**(3,081)**	**(9,596)**	**(107)**	**(303,402)**
At 31 December 2010	**(290,618)**	**(3,081)**	**(9,596)**	**(107)**	**(303,402)**
Recognised in the statement of comprehensive income	11,573	1,376	(1,870)	33	11,112
Acquisition of subsidiary	(1,287)	-	-	-	(1,287)
Recognised in other comprehensive income	(989)	-	-	-	(989)
At 31 December 2011	**(281,321)**	**(1,705)**	**(11,466)**	**(74)**	**(294,566)**

Deferred income tax, net, at 31 December 2009	**(235,557)**
Deferred income tax, net, at 31 December 2010	**(128,484)**
Deferred income tax, net, at 31 December 2011	**(125,350)**

23 Income tax (continued)

Company	PP&E revaluation (impairment)	Bad debts	Accrued charges	Impairment of assets	Total
Deferred income tax assets					
At 31 December 2009	**174,694**	**1,505**	**530**	**16,595**	**193,324**
Recognised in the statement of comprehensive income	(8,317)	(62)	4,187	(2,602)	(6,794)
Transferred to LITGRID Turtas AB	(2,196)	-	(97)	(11,470)	(13,763)
Merger with Lietuvos Elektrinė AB	-	-	2,275	-	2,275
At 31 December 2010	**164,181**	**1,443**	**6,895**	**2,523**	**175,042**
At 31 December 2010	**164,181**	**1,443**	**6,895**	**2,523**	**175,042**
Recognised in the statement of comprehensive income	(5,914)	-	586	(2,327)	(7,655)
At 31 December 2011	**158,267**	**1,443**	**7,481**	**196**	**167,387**

Company	PP&E revaluation (increase in value)	Differences in depreciation rates	Tax relief on acquisition of PP&E	Other	Total
At 31 December 2009	**(402,755)**	**(1,156)**	**(22,568)**	**(179)**	**(426,658)**
Recognised in the statement of comprehensive income	28,782	353	2,167	75	31,377
Transferred to LITGRID Turtas AB	197,493	723	10,915	-	209,131
In-kind contributions	(4,250)	-	-	-	(4,250)
Merger with Lietuvos Elektrinė AB	(108,539)	(3,072)	-	-	(111,611)
At 31 December 2010	**(289,269)**	**(3,152)**	**(9,486)**	**(104)**	**(302,011)**
At 31 December 2010	**(289,269)**	**(3,152)**	**(9,486)**	**(104)**	**(302,011)**
Recognised in the statement of comprehensive income	10,982	1,566	(1,870)	33	10,711
Recognised in other comprehensive income	(398)	-	-	-	(398)
At 31 December 2011	**(278,685)**	**(1,586)**	**(11,356)**	**(71)**	**(291,698)**
Deferred income tax, net, at 31 December 2009					**(233,334)**
Deferred income tax, net, at 31 December 2010					**(126,969)**
Deferred income tax, net, at 31 December 2011					**(124,311)**

Deferred income tax assets and deferred income tax liabilities were offset in the Company's statement of financial position as they relate to the same fiscal authority. The Group's deferred income tax assets related to operations of subsidiaries were not offset against the Company's deferred income tax liabilities and were presented separately as non-current assets in the statement of financial position.

23 Income tax (continued)

Deferred income tax recognised in the statement of financial position as at 31 December 2011 and 2010 comprised as follows:

	Group	Company	Group	Company
	As at 31 December 2011	As at 31 December 2011	As at 31 December 2010	As at 31 December 2010
Deferred income tax assets	81	-	1,200	-
Deferred income tax liabilities	125,431	124,311	129,684	126,969
Deferred income tax liability, net	**(125,350)**	**(124,311)**	**(128,484)**	**(126,969)**

When calculating deferred income tax as at 31 December 2011 and 31 December 2010, the Company applied income tax rate of 15 per cent on those components which will be realised in 2012 and later periods.

The Company's and Group's deferred income tax to be realised within 12 months amounts to LTL 1,967 thousand (Company's/Group's as at 31 December 2010: LTL 4,531 thousand).

As at 31 December 2010, the Group had LTL 8,808 thousand (31 December 2010: LTL 10,927 thousand) of accumulated unrealised tax losses on which no deferred tax asset was recognised. These tax losses are carried forward for indefinite period.

Income tax expense reported in the statement of comprehensive income relating to the result of operations during the current reporting period may be reconciled to income tax expense that would arise using the statutory income tax rate applicable to profit before income tax.

	Group 2011	Company 2011	Group 2010	Company 2010
Profit before income tax from continuing and discontinued operation	**2,274**	**11,590**	**81,527**	**58,827**
Income tax at a tax rate of 15% (2010: 15%)	341	1,739	12,229	8,824
Adjustment of previous year income tax	(8,621)	(8,621)	(7,732)	(7,732)
Tax effects of non-taxable income and non-deductible expenses	7,708	7,717	1,206	(6,129)
Unrecognised deferred income tax on tax losses	1,321	-	1,639	-
Income tax attributable to discontinued operations	-	-	(10,427)	-
Realisation of deferred income tax on in-kind contributions	-	-	(6,648)	(6,648)
Income tax	**749**	**835**	**(9,733)**	**(11,685)**

24 Trade payables

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

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Payables for electricity and related services	35,964	35,974	34,452	35,189
Payables for material valuables	30,677	30,677	8,168	2,846
Amounts due for contractual works, other services	28,175	15,094	58,980	58,980
Payables for gas and heavy fuel oil	21,763	21,763	29,339	29,339
Accrued liabilities for electricity	251	251	7,335	7,335
Total	**116,830**	**103,759**	**138,274**	**133,689**

The fair values of trade payables approximate their carrying amounts.

25 Advance amounts received

The Group‘s and the Company‘s advance amounts received comprise as follows:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
PSO service fees received in advance (Note 22)	13,104	13,104	-	-
Deferred income on contract works in progress	2,596	-	37	-
Other advance amounts received	1,928	1,781	3,846	3,845
Total	**17,628**	**14,885**	**3,883**	**3,845**

26 Provisions for emission allowances

As at 31 December 2011 and 2010, provisions for emission allowances comprised as follows:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010 (restated)	Company at 31 December 2010 (restated)
Provision for onerous contract (Note 2.31)	-	-	15,907	15,907
Total	**-**	**-**	**15,907**	**15,907**

26 Provisions for emission allowances (continued)

Movement on current portion of provisions for emission allowances as at 31 December 2011 and 2010:

	Group	Company
Balance at 31 December 2009		
Acquisition of subsidiary (Note 7)	46,911	46,911
Expenses of emission allowances utilised	7,301	7,301
Current portion of provision for onerous contract (Note 2.31)	13,070	13,070
Balance at 31 December 2010 (restated)	**67,282**	**67,282**
Balance at 31 December 2010	**67,282**	**67,282**
Emission allowances utilised (Note 4)	(54,212)	(54,212)
Provisions for emissions	16,268	16,268
Current portion of provisions for onerous contract	32,593	32,593
Balance at 31 December 2011	**61,931**	**61,931**

***** For the purpose of the statement of comprehensive income, expenses of provision for emission allowances utilised are reported net of government grants (Note 21).

27 Other accounts payable and liabilities

The Group's and the Company's other accounts payable comprise as follows:

	Group at 31 December 2011	Company at 31 December 2011	Group at 31 December 2010	Company at 31 December 2010
Accrued charges of purchases of electricity	12,397	12,020	3,237	2,859
Employment-related liabilities	4,882	2,047	2,744	654
Vacation reserve	2,317	1,567	1,558	1,558
Dividends payable	2,269	2,269	1,826	1,826
Taxes payable	2,183	1,886	4,237	3,980
Derivative financial instrument	1,638	1,638	-	-
Other payables and current liabilities	1,401	1,340	1,065	197
VAT payable	871	-	7,736	7,331
Carrying amount	**27,958**	**22,767**	**22,403**	**18,405**

The fair values of other accounts payable approximate their carrying amounts.

28 Sales revenue

The Group's and the Company's sales revenue consists of revenue from sale of electricity and related services. Sales revenue for the periods ended 31 December is presented below:

	Group 2011	Company 2011	Group 2010 (restated)	Company 2010 (restated)
Sale of electricity in domestic market	1,230,003	1,221,421	1,132,572	1,124,839
Export of electricity	64,332	64,332	52,431	52,431
Capacity reserve	64,685	64,685	30,920	30,920
Revenue from sale of thermal energy	15,135	15,135	4,641	4,641
Total	**1,374,155**	**1,365,573**	**1,220,564**	**1,212,831**

29 Segment information

In 2011, management distinguished operating segments based on the reports reviewed by the Board. The Board analyses business operations by type of services rendered. Operating profit (loss) is a profitability measure analysed by the Board.

As at 31 December 2011 and 2010, the Group's management analysed the operations of the Company as a single segment of electricity production and trade, including the segment of electricity export/import. The operations of Energijos Tiekimas UAB representing trade in electricity also constitute a separate segment. Other activities within the Group include repair services of energy facilities and IT services.

On 30 November 2010, the Company transferred to LITGRID Turtas AB, a company established as a result of spin-off from Lietuvos Energija AB, the activities of the electricity transmission system operator including the system's management, maintenance and operation activities. As a result, all income earned from these activities and related expenses incurred in 2010 were attributed to discontinued operations. Therefore all segments of the transmission system operator and the market operator are attributable to discontinued operations in 2010 as well. In addition, in 2010, the Company transferred to NT Valdos UAB real estate and activities related to real estate management and health care centre development. All the Company's assets related to information technologies and activities carried out in the field of information technologies were transferred to Technologijų ir Inovacijų Centras UAB. Therefore, these activities previously disclosed in the segment 'other activities' are also attributed to discontinued operations (Note 33).

Inter-company transactions within the Group are conducted at market prices, except for trade in electricity and related services, the prices of which are established by the Commission.

29 Segment information (continued)

The Group's information on segments for the year ended 31 December 2011 is presented in the table below:

2011	**Electricity production and trade (including export/import)**		**Other activities**	**Total**
	Lietuvos Energija AB	**Energijos Tiekimas UAB**		
Revenue	1,367,486	211,397	62,155	1,641,038
Inter-segment revenue	(202,838)		(8,693)	(211,531)
Revenue after elimination of inter-segment and inter-company revenue within the Group	**1,164,648**	**211,397**	**53,462**	**1,429,507**
Expenses after elimination of inter-segment and inter-company expenses within the Group	**(1,172,003)**	**(205,665)**	**(38,678)**	**(1,416,346)**
Whereof: depreciation and amortisation expenses	(57,762)	-	(2,751)	(60,513)
Operating profit (loss)	**(7,355)**	**5,732**	**14,784**	**13,161**
Net finance income (costs)				**(10,886)**
Profit before income tax				**2,275**
Income tax				**(749)**
Net profit for the year from continuing operations				**1,526**

The Group's information on segments for the year ended 31 December 2010 is presented in the table below:

2010	**Electricity production and trade (including export/import)**		**Other activities**	**Total continuing operations (restated)**
	Lietuvos Energija AB (restated)	**Energijos Tiekimas UAB**		
Revenue	1,213,548	204,600	45,854	1,464,002
Inter-segment revenue	(197,563)	(15)	(5,607)	(203,185)
Revenue after elimination of inter-segment and inter-company revenue within the Group	**1,015,985**	**204,585**	**40,247**	**1,260,817**
Expenses after elimination of inter-segment and inter-company expenses within the Group	**(952,300)**	**(199,008)**	**(28,890)**	**(1,180,198)**
Whereof: depreciation and amortisation expenses	(31,421)		(2,405)	(33,826)
Operating profit	**63,685**	**5,577**	**11,357**	**80,619**
Net finance income (costs)				**908**
Profit before income tax				**81,527**
Income tax				**9,733**
Net profit for the year from continuing operations				**91,260**

29 Segment information (continued)

The Company/Group exports electricity to the EU Member States and Russia. Also, the Group exported metal constructions and repair services.

As at 31 December 2011 and 31 December 2010, the Group's and the Company's revenue by country was as follows:

Country	Group 2011	Company 2011	Group 2010 (restated)	Company 2010 (restated)
Lithuania	1,352,864	1,324,721	1,208,386	1,161,050
Estonia	37,124	31,120	9,274	9,274
Latvia	35,676	33,212	147	147
Germany	1,878	-	-	-
Denmark	834	-	-	-
Belarus	590	-	-	-
Norway	227	-	-	-
Finland	147	-	43,010	43,010
Poland	88	-	-	-
Great Britain	79	-	-	-
Total	**1,429,507**	**1,389,053**	**1,260,817**	**1,213,481**

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

In 2011, the Group's and the Company's revenue from a single external client amounted to LTL 594,748 thousand (2010: LTL 607,733 thousand).

30 Other operating income

As at 31 December 2011 and 31 December 2010, the Group's and the Company's other operating income comprised as follows:

	Group 2011	Company 2011	Group 2010	Company 2010
Repairs, data transmission and other services	53,726	-	39,557	-
Other income	1,348	1,635	-	22
Gain on disposal of property, plant and equipment	278	278	696	628
Gain on disposal of investments	-	21,567	-	-
Total	**55,352**	**23,480**	**40,253**	**650**

On 23 December 2011, the Company and Technologijų ir Inovacijų Centras UAB signed an Agreement for the Subscription of Shares, based on which Lietuvos Energija AB subscribed for 32,163,004 newly issued ordinary registered shares of Technologijų ir Inovacijų Centras UAB with par value of LTL 1 each. The total issue price was equal to LTL 34,414 thousand and it was paid by in-kind contribution of 12,847,295 ordinary registered intangible shares of Data Logistics Center UAB with par value of LTL 1 each, which made up 100% of the latter company's authorised share capital, with the carrying amount of LTL 12,847 thousand as at 31 December 2011. The difference between the selling price and carrying amount of Data Logistics Center UAB was recognised as gain on disposal of investments.

Income from repair services represents income received by subsidiary Kauno Energetikos Remontas UAB under the contracts concluded (the Company had no income under the contracts). Information about contract works in progress as at 31 December 2011 and 31 December 2010 is presented in the table below:

	At 31 December 2011	At 31 December 2010
Expenses recognised on contract works in progress	25,070	7,112
Profit recognised (less loss) on contract works in progress	3,836	(937)
Total income recognised on contract works in progress	28,906	6,175
Accumulated loss arising on the completion of contract works in progress	-	(395)
Total amount billed on contract works in progress	30,698	
Accrued income on contract works in progress	750	
Deferred income on contract works in progress	2,542	

31 Finance income

As at 31 December 2011 and 31 December 2010, the Group's and the Company's finance income comprised as follows:

	Group 2011	Company 2011	Group 2010	Company 2010
Interest income	996	988	2,838	3,251
Other income	352	595	729	400
Foreign exchange positive effect	14	1	374	374
Dividends	-	774	-	300
Total finance income	**1,362**	**2,358**	**3,941**	**4,325**

32 Finance costs

As at 31 December 2011 and 31 December 2010, the Group's and the Company's finance costs comprised as follows:

	Group 2011	Company 2011	Group 2010	Company 2010
Interest expense *	(3,223)	(3,078)	(1,548)	(1,296)
Expenses of derivative financial instruments	(2,492)	(2,492)	-	-
Foreign exchange negative effect and other expenses	(353)	(343)	(1,495)	(1,495)
Other finance costs	(132)	-	-	-
Loan service costs	-	-	(44)	-
Total finance costs	**(6,200)**	**(5,913)**	**(3,087)**	**(2,791)**

* In addition to interest expense recognised as finance costs as disclosed in Note 5, the Group's borrowing costs capitalised as part of property, plant and equipment amounted to LTL 30,764 thousand (2010: LTL 7,961 thousand).

33 Discontinued operations

On 30 November 2010, the Group transferred to LITGRID Turtas AB, a company established as a result of spin-off from Lietuvos Energija AB, the electricity transmission system including the system's management, maintenance and operation activities. As a result, all income earned from these activities and related expenses incurred in 2010 were attributed to discontinued operations. Discontinued operations also include other operating income and expenses that were transferred to associates NT Valdos UAB and Technologijų ir Inovacijų Centras.

	Group 2011	Company 2011	Group 2010	Company 2010
Sales revenue	-	-	839,156	138,411
Purchase of electricity or related services	-	-	(616,651)	-
Purchase of capacity reserve	-	-	-	-
Wages and salaries and related expenses	-	-	(31,708)	(20,361)
Repair and maintenance expenses	-	-	(8,077)	(10,413)
Depreciation and amortisation	-	-	(128,744)	(128,298)
Loss on revaluation of property, plant and equipment	-	-	(11,378)	(11,380)
Other expenses	-	-	(43,782)	(16,873)
Operating (loss)	**-**	**-**	**(1,184)**	**(48,914)**
(Loss) before income tax	**-**	**-**	**(1,184)**	**(48,914)**
Income tax expense (Note 23)	-	-	(10,427)	-
Gain on disposal of subsidiaries	-	-	5,185	1,314
Net (loss) for the year from discontinued operations	**-**	**-**	**(6,426)**	**(47,600)**
Net (loss) for the year from discontinued operations attributable to owners of the Company	-		(6,426)	
Weighted average number of shares	-		759,156	
Basic and diluted (loss) per share (in LTL) from discontinued operations	-	-	(0.01)	-

34 Related-party transactions

Purchase and sale of goods and services:

The Group's transactions with related parties during 2011 and the balances arising on these transactions as at 31 December 2011 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	11,620	88,890	538,758*	1,189,707*
Visagino Atominė Elektrinė UAB	70	-	-	393
Associates of the Group	1,216	326	2,268	1,892
Total	**12,906**	**89,216**	**541,026**	**1,191,992**

*BALTPOOL UAB does not recognise electricity purchases and sales as income and expense. During 2011, the Group's sales of electricity to BALTPOOL UAB amounted to LTL 217,695 thousand and purchases of electricity amounted to LTL 489,180 thousand.

The Company's transactions with related parties conducted during 2011 and the balances arising on these transactions as at 31 December 2011 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	6,830	24,633	8,037	202,980
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	10,128	81,456	531,212*	1,185,664*
Visagino Atominė Elektrinė UAB	-	-	-	-
Associates of the Company	226	-	2,175	494
Total	**17,184**	**106,089**	**541,424**	**1,389,138**

* BALTPOOL UAB does not recognise electricity purchases and sales as income and expense. During 2011, the Company's sales of electricity to BALTPOOL UAB amounted to LTL 217,695 thousand and purchases of electricity amounted to LTL 489,180 thousand.

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	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	34,588	138,865	912,767*	1,372,049*
Visagino Atominė Elektrinė UAB	28	24	58,266	816
Associates of the Group	173	5,210	2,539	610
Total	**34,789**	**144,099**	**973,572**	**1,373,475**

** BALTPOOL UAB does not recognise electricity purchases and sales as income and expense. During 2010, the Group 's sales of electricity to BALTPOOL UAB amounted to LTL 455,933 thousand and purchases of electricity amounted to LTL 863,127 thousand.

34 Related-party transactions (continued)

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	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	936	20,189	340,818*	701,359*
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	34,076	135,162	524,214*	824,510*
Visagino Atominė Elektrinė UAB	28	24	58,267	816
Associates of the Company	124	5,051	2,455	381
Total	**35,164**	**160,426**	**925,754**	**1,527,066**

* BALTPOOL UAB does not recognise electricity purchases and sales as income and expense. During 2010, the Company's sales/purchases of electricity to/from BALTPOOL UAB during January-November 2010 are included in sales/purchases with subsidiaries of the Company, whereas sales/purchases of electricity to/from BALTPOOL UAB during December are included in sales/purchases with entities controlled by the Ministry of the Energy of the Republic of Lithuania. In 2010, the Company's sales of electricity to BALTPOOL UAB amounted to LTL 380,021 thousand, and purchases of electricity from BALTPOOL UAB amounted to LTL 797,555 thousand.

The major related-party sale and purchase transactions in 2011 and 2010 comprised transactions with the entities controlled by the Ministry of Energy of the Republic of Lithuania: Lesto AB, Litgrid AB. 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-owned 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.

There were no guarantees or pledges given or received in respect of the related-party payables and receivables, except for guarantees to the associate and the subsidiaries as disclosed in Note 36. Related-party payables and receivables are expected to be settled in cash or offset against payables/receivables to/from a respective related party.

Payments to key management personnel

	Group 2011	Company 2011	Group 2010	Company 2010
Employment-related payments *	4,350	1,701	2,755	1,630
Termination benefits	143	31	512	121
Other significant payments to key management personnel	-	-	-	-
Number of key management personnel *	31	11	26	13

*employment-related payments of Technologijų ir Inovacijų Centras UAB and Respublikinis Energetikų Mokymo Centras VŠĮ during 2011 and number of key management personnel at the end of the reporting period.

Key management personnel in the table above are heads of administration and their deputies, and the chief financier.

35 Basic and diluted earnings per share (in LTL)

In 2011 and 2010, basic and diluted earnings per share were as follows:

	2011	2010
Net profit for the year from continuing operations attributable to the owners	1,526	91,260
Weighted average number of shares (units)	635,083,615	813,083,018
Basic and diluted earnings per share (in LTL) from continuing operations	0.00	0.11

36 Financial risk management

The Group companies are exposed to financial risks in their operations, i.e. credit risk, liquidity risk and market risk (foreign exchange risk, interest rate risk in relation to fair value and cash flows, and securities price risk). In managing these risks the Group companies seek to mitigate the effect of factors which could have an adverse impact on the performance of the Group and the Company.

Financial instruments by category

Financial assets	**Group at 31 December 2011**	**Company at 31 December 2011**	**Group at 31 December 2010**	**Company at 31 December 2010**
Trade receivables	233,479	207,498	179,061	154,400
Other receivables	3,282	9,016	8,270	7,456
Cash and cash equivalents	27,907	8,281	86,925	83,375
Other non-current accounts receivable	1,426	1,426	1,797	8,297
Loans and receivables	**266,094**	**226,221**	**276,053**	**253,528**
Other financial assets	267	-	1,118	875
Financial assets at fair value through profit and loss	**267**	**-**	**1,118**	**875**
Total	**266,361**	**226,221**	**277,171**	**254,403**

Financial liabilities	**Group at 31 December 2011**	**Company at 31 December 2011**	**Group at 31 December 2010**	**Company at 31 December 2010**
Borrowings	642,166	640,997	548,526	534,992
Finance lease liabilities	903	-	1,362	-
Other non-current payables	4,368	4,368	4,703	4,703
Trade payables	116,830	103,759	138,274	133,689
Other accounts payable and liabilities	479	417	1,066	197
Financial liabilities measured at amortised cost	**764,746**	**749,541**	**693,931**	**673,581**
Other financial liabilities	1,638	1,638	-	-
Derivative financial instruments at fair value through profit and loss	**1,638**	**1,638**	**-**	**-**
Total	**766,384**	**751,179**	**693,931**	**673,581**

Credit risk

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

	Group at 31 December 2011	**Company at 31 December 2011**	**Group at 31 December 2010**	**Company at 31 December 2010**
Financial assets	266,361	226,221	277,171	254,403
Guarantees	472	472	718	718
Total	**266,833**	**226,693**	**277,889**	**255,121**

The maximum exposure to credit risk is equal to the carrying amount of each financial asset and the total amount of guarantees issued to the associate and the subsidiaries (Note 37).

The credit risk of the Group and the Company related to the accounts receivable is limited because the major buyers are reliable customers. As at 31 December 2011 and 31 December 2010, trade receivables neither past due nor impaired were of high credit quality as the majority of these receivables were due from operators of the distribution network and large industrial companies. The Group and the Company are exposed to significant credit risk concentration, because credit risks are shared among 10 main customers, which account for approximately 98 per cent of total trade receivables of the Group and the Company.

The credit risk relating to cash in banks is limited because the Group and the Company conduct transactions with the banks with high credit ratings assigned by international credit rating agencies.

The Group and the Company hold cash balances and term deposits in accounts of the major Lithuanian banks assigned with higher than ‘A-‘ external credit rating by the rating agency Fitch Ratings.

36 Financial risk management (continued)

Liquidity risk

The liquidity risk is managed by planning the cash flows of the Group. In order to manage the liquidity risk, cash flow forecasts are prepared. Overdraft and credit line agreements are used to manage the difference between the risks of late collection of receivables and the short-term cash flows (inflows and outflows). Undrawn balances of loans are disclosed in Note 19.

The Group's liquidity (total current assets / total current liabilities) and quick liquidity ((total current assets – inventories) / total current liabilities) ratios as at 31 December 2011 were 1.50 and 1.03, respectively (31 December 2010: 1.57 and 1.54, respectively). The Company's liquidity (total current assets / total current liabilities) and quick liquidity ((total current assets – inventories) / total current liabilities) ratios as at 31 December 2011 were 1.48 and 0.96, respectively (31 December 2010: 1.58 and 1.10, respectively).

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

Group	Within the first year	Within the second year	Within third – fifth years	After five years
At 31 December 2011				
Borrowings and bonds	72,009	89,998	435,579	225,086
Finance lease liabilities	596	322	-	-
Trade and other accounts payable	117,621	312	936	2,808
At 31 December 2010				
Borrowings	70,333	42,475	219,999	372,859
Finance lease liabilities	532	465	400	
Trade and other accounts payable	139,363	272	954	3,454

Company	Within the first year	Within the second year	Within third – fifth years	After five years
At 31 December 2011				
Borrowings	70,840	89,998	435,579	225,086
Trade and other accounts payable	104,488	312	936	2,808
At 31 December 2010				
Borrowings	56,799	42,475	219,999	372,859
Trade and other accounts payable	133,909	272	954	3,454

Interest rate risk

The Group's income and cash flows are affected by fluctuations in market interest rates as all borrowings of the Group companies bear variable interest rates as at 31 December 2011. Increase in interest rate risk is mostly affected by non-current borrowings. All borrowings bear variable interest rates which are linked with LIBOR-EUR. Intervals of reprising of interest rates are disclosed in Note 19.

If interest rates on withdrawn balances of borrowings of the Group companies had been 1 per cent higher/lower, net profit for the 2011 year would have been LTL 1,676 thousand (2010: LTL 1,453 thousand) lower/higher. If interest rates on withdrawn balances of borrowings of the Company had been 1 per cent higher/lower, net profit for the 2011 year would have been LTL 1,674 thousand (2010: LTL 1,425 thousand) lower/higher

Foreign exchange risk

The Group companies conduct certain transactions that are denominated in foreign currencies. This leads to the concentration of foreign exchange risk.

With effect from 1 February 2002, the exchange rate of the litas is pegged to the euro. As a result, changes in exchange rates of the euro do not have a significant impact on the Company's equity. As at 31 December 2011, the Company/Group did not have any significant assets or liabilities denominated in currencies other than the litas and the euro.

The Group companies did not use any financial instruments to manage foreign exchange risk.

36 Financial risk management (continued)

Risk of security prices

In 2009, the Company sold bonds issued by the Lithuanian and Finish Governments; therefore it is not exposed to risk of security prices.

The Company has direct control over the subsidiaries and take part in management of associates (Note 7). In the Company's separate financial statements, investments in these companies are accounted for at acquisition cost, which is adjusted by impairment losses, if any. Investments in associates in the Group's consolidated financial statements are accounted for using the equity method by adjusting their carrying amounts by the Group's share of profits or losses. The increase/decrease in the carrying amount of these investments directly affects the financial results of the Group. The Company impacts the results of its subsidiaries and associates by taking part in the formation of the management policy of operations of these companies.

Fair value of financial assets and liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade and other accounts receivable, trade and other accounts payables, non-current and current borrowings.

The fair value of the Group's financial assets at fair value through profit or loss is based on the prices in an active market.

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

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

- The carrying amount of cash and cash equivalents, current trade and other accounts receivable, current trade and other accounts payable and current borrowings approximates their fair value.

- The fair value of non-current borrowings is based on the quoted market price for the same or similar loan or on the current rates available for loan with the same maturity profile. The fair value of a non-current borrowing bearing variable interest rates approximates its carrying amount, provided that the margin on such loan corresponds to margins currently prevailing in the market.

37 Commitments and contingencies

Guarantees issued and received

In 2005, the Company 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 will expire upon 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 December 2011 (31 December 2010: 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.

In order to ensure the fulfilment of obligations, the power exchange participants are required to present to BALTPOOL UAB the bank guarantee on the fulfilment of their obligations not later than 10 (ten) working days before the commencement date of the trading session at the power exchange and/or provide a cash deposit. As at 31 December 2011, a cash deposit provided by the Company to BALTPOOL UAB amounted to LTL 5,400 thousand (31 December 2010: LTL 5,400 thousand).

As at 31 December 2011, the support letter was submitted by the Company to Danske Bank A/S Lithuania Branch with regard to a guarantee of LTL 2,500 thousand and an overdraft of LTL 17,000 thousand granted to Energijos Tiekimas UAB by the Bank.

Litigations

Kauno Termofikacinė Elektrinė UAB filed a claim against the Company concerning PSO service fees paid for 2008. In the opinion of Lietuvos Energija AB, the fee for PSO service for December 2008 due to unsupplied volume of sponsored production level should be reduced from LTL 4,005 thousand to LTL 3,457 thousand. Kauno Termofikacinė Elektrinė UAB does not agree with this position of the Company. The claim amount is LTL 653 thousand. On 26 October 2010 Vilnius County Court passed the ruling which satisfied the claim of Kauno Termofikacinė Elektrinė UAB against Lietuvos Energija AB in part and ordered the repayment of the debt of LTL 647 thousand, interest of LTL 6 thousand and annual interest of 6 per cent charged on the amount awarded from 20 March 2009 until a full fulfilment of the court's ruling. Lietuvos Energija AB filed an appeal against this decision and the date of court sitting has not been announced yet. With reference to the circumstances of the dispute, available evidence, arguments of Lietuvos Energija AB and explanations concerning the claims presented by the other party to the dispute, the dispute is likely to be settled in favour of or not in favour of Lietuvos Energija AB.

As at 31 December 2008, the Company disputed LTL 884 thousand amount payable to Vilniaus Energija UAB related to the electricity supplied by this entity under public service obligation (PSO) scheme, which was not accounted for in the statement of financial position. The obligations to this supplier was recalculated by the Company based on the actual volumes of the electricity supplied in 2008 and the volumes of sponsored production levels as set by the Ministry of the Economy of the Republic of Lithuania. The supplier did not agree with the recalculation made by the Company and claimed the payment of the invoiced amounts for the PSO energy supplied. As at 31 December 2009, the claim amount was LTL 1,049 thousand. On 20 February 2010, Vilniaus Energija UAB filed a revised claim for the total amount of LTL 1,494 thousand specifying that Lietuvos Energija AB did not pay for the PSO energy supplied in 2009 as well. On 29 June 2010, Vilnius County Court passed the ruling rejecting the claim of Vilniaus Energija UAB in its entirety. On 28 July 2010, Vilniaus Energija UAB filed a claim in appeal to Vilnius County Court requesting that the decision of Vilnius County Court is annulled and a new decision is passed, namely, that the claim of Vilniaus Energija UAB is satisfied in full. The Lithuanian Court of Appeals investigated the dispute in March 2011 and remained the ruling of Vilnius County Court unchanged.

Operating lease

Technologijų ir Inovacijų Centas UAB has operating lease agreements for motor vehicles and administrative premises. These agreements provide for the right to change the scope of services rendered, as well as to terminate the agreement with at least 3 months prior notice to the lessee without incurring any additional financial obligations. Infrastructural assets (data centers, technological facilities, infrastructure and communication channels) necessary for the provision of IT services are leased from related parties and third parties:

	2011
Lease of motor vehicles and fuel expenses	5,178
Lease of premises and related expenses	2,391
Lease of infrastructure and related expenses	1,282

Lease expenses of infrastructure mostly comprise lease of optical fibre from LITGRID AB. The agreement is valid from 29 April 2011 to 29 April 2026, however, the Company has a right to terminate it with prior notice of 12 months.

38 Capital management

Capital consists of the total amount of equity capital reported in the statement of financial position.

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, repay capital to shareholders or issue new shares. No changes were made concerning risk management objectives, policies or processes during the periods ended 31 December 2011 and 31 December 2010.

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

39 Final spin-off balance sheets

	Lietuvos Energija AB before spin-off	Lietuvos Energija AB after spin-off	LITGRID Turtas AB after spin-off	LITGRID Turtas AB Group after spin-off
	At 30 November 2010	At 30 November 2010	At 30 November 2010	At 30 November 2010
ASSETS				
Non-current assets				
Intangible assets (Note 4)	411	-	411	1,638
Property, plant and equipment (Note 5)	2,642,318	590,123	2,052,195	2,064,150
Prepayments for property, plant, equipment	1,967	-	1,967	1,967
Investment property (Note 6)	917	-	917	-
Investments in subsidiaries (Note 7)	646,495	628,457	18,038	-
Investments in associates and joint ventures (Note 7)	180,778	160,836	19,942	21,611
Other non-current assts	451	451	-	189
Total non-current assets	**3,473,337**	**1,379,867**	**2,093,470**	**2,089,555**
Current assets				
Inventories	2,258	636	1,622	4,968
Prepayments	9,408	9,408	-	835
Trade receivables	71,429	71,429	-	117,813
Other receivables	22,647	22,647	-	9,206
Term deposits	-	-	-	26,000
Cash and cash equivalents	126,700	83,885	42,815	98,727
Total current assets	**232,442**	**188,005**	**44,437**	**257,549**
Non-current assets classified as held for sale	**1,543**	**1,543**	**-**	**-**
TOTAL ASSETS	**3,707,322**	**1,569,415**	**2,137,907**	**2,347,104**

39 Final spin-off balance sheets (continued)

	Lietuvos Energija AB before spin-off	Lietuvos Energija AB after spin-off	LITGRID Turtas AB after spin-off	LITGRID Turtas AB Group after spin-off
	At 30 November 2010	At 30 November 2010	At 30 November 2010	At 30 November 2010
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital (Note 14)	993,614	489,283	504,331	504,331
Share premium (Note 14)	325,388	295,767	29,621	29,621
Revaluation reserve (Note 15)	306,225	6,643	299,582	299,582
Legal reserve	68,952	21,287	47,665	47,730
Other reserves	(63,777)	(63,777)	-	-
Retained earnings	1,679,506	692,109	987,397	1,041,859
Total equity attributable to owners of the Company	**3,309,908**	**1,441,312**	**1,868,596**	**1,923,123**
Non-controlling interest				3,352
Total equity	**3,309,908**	**1,441,312**	**1,868,596**	**1,926,475**
Non-current liabilities				
Grants (note 21)	70,091	27,584	42,507	42,507
Deferred income	15,631	-	15,631	15,631
Other non-current accounts payable and liabilities	6,538	6,304	234	438
Deferred income tax liabilities (note 23)	217,540	22,172	195,368	195,368
Total non-current liabilities	**309,800**	**56,060**	**253,740**	**253,944**
Current liabilities				
Borrowings	-	-	-	158
Trade payables	60,499	60,499	-	129,446
Advance amounts received	1,469	469	1,000	9,512
Income tax payable	-	-	-	10,497
Other accounts payable and liabilities	25,646	11,075	14,571	17,072
Total current liabilities	**87,614**	**72,043**	**15,571**	**166,685**
Total liabilities	**397,414**	**128,103**	**269,311**	**420,629**
TOTAL EQUITY AND LIABILITIES	**3,707,322**	**1,569,415**	**2,137,907**	**2,347,104**

39 Final spin-off balance sheets (continued)

The principles of the preparation of the final spin-off balance sheets are described in the spin-off terms and conditions of Lietuvos Energija AB.

During the spin-off, the activities of the transmission system operator carried out by Lietuvos Energija AB, the activities of the electricity market operator and part of the activities of information technologies and other energy activities relating to the activities of the transmission system operator, were separated and transferred to LITGRID Turtas AB by transferring to LITGRID Turtas AB all assets, rights and obligations of Lietuvos Energija AB related to the spin-off part.

The spin-off of authorised share capital and the number of shares transferred to LITGRID Turtas AB was carried out in proportion to the number of shares held by each shareholder in the authorised share capital of Lietuvos Energija AB before the spin-off.

All non-current and current assets and liabilities of Lietuvos Energija AB relating to the spin-off part and the principles for preparation of spin-off balance sheet were specified in the Transfer-Acceptance Statement and transferred to LITGRID Turtas AB.

40 Business combination

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 Lietuvos Energija AB, which continues the activities of 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 date of merger of companies was 1 September 2010, i.e. the date when Lietuvos Energija AB acquired control over Lietuvos Elektrinė AB.

Acquisition of non-controlling interests on merger of Lietuvos Elektrinė AB and effects of correction of errors (Note 2.31) on the Group's equity in the statement of financial position as at 31 December 2010 is presented in the table below:

	Group As at 31 December 2010 (as previously reported)	Acquisition of non-controlling interests on merger of Lietuvos Elektrinė AB	Effects of correction of errors in 2010 on the statement of comprehensive income	Group As at 31 December 2010 (restated)
Share capital	489,283	145,801	-	635,084
Share premium	295,767	-	-	295,767
Revaluation reserve	8,583	-	-	8,583
Legal reserve	35,211	656	-	35,867
Other reserves	682,605	35,170	-	717,775
Retained earnings	319,775	(245,498)	(39,170)	35,107
Total	**1,831,224**	**(63,871)**	**(39,170)**	**1,728,183**
Non-controlling interests	46,351	(46,351)	-	-
Total equity	**1,877,575**	**(110,222)**	**(39,170)**	**1,728,183**

The Company's statement of financial position as at 31 December 2010 adjusted for business combination and correction of errors (Note 2.31) is presented in the table below:

ASSETS	Lietuvos Energija AB As at 31 December 2010	Lietuvos Elektrinė AB As at 31 December 2010	Elimination of inter-company transactions and reclassifications	Correction of errors	Company As at 31 December 2010 (restated)
Non-current assets:					
Intangible assets		56,984	-	(19,173)	37,811
Property, plant and equipment	583,042	2,345,456	-	(75,155)	2,853,343
Prepayments for property, plant and equipment	175	43,562	-	-	43,737
Investment property	1,852	-	-	-	1,852
Investments in subsidiaries	622,857	-	(598,960)	-	23,897
Investments in associates and joint ventures	160,836	-	-	-	160,836
Other non-current assets		-	-	18,547	18,547
Accounts receivable	6,915	756	-	626	8,297
Other financial assets		875	-	-	875
Total non-current assets	**1,375,677**	**2,447,633**	**(598,960)**	**(75,155)**	**3,149,195**
Current assets:					
Inventories	739	125,470	-	-	126,209
Prepayments	11,300	751	-	-	12,051
Trade receivables	97,972	56,428	-	-	154,400
Other accounts receivable	5,366	14,761	-	-	20,127
Prepaid income tax	8,383	-	-	-	8,383
Cash and cash equivalents	69,507	13,868	-	-	83,375
Total current assets	**193,267**	**211,278**	**-**	**-**	**404,545**
Non-current assets classified as held for sale	1,543	-	-		1,543
Total	**194,810**	**211,278**	**-**	**-**	**406,088**
TOTAL ASSETS	**1,570,487**	**2,658,911**	**(598,960)**	**(75,155)**	**3,555,283**

40 Business combination (continued)

	Lietuvos Energija AB As at 31 December 2010	Lietuvos Elektrinė AB As at 31 December 2010	Elimination of inter-company transactions and reclassifications	Correction of errors	Company As at 31 December 2010 (restated)
EQUITY AND LIABILITIES					
Capital and reserves:					
Share capital	489,283	145,801	-	-	635,084
Share premium	295,767	-	-	-	295,767
Revaluation reserve	6,604	-	-	-	6,604
Legal reserve	21,287	14,580	-	-	35,867
Other reserves	(63,777)	781,552	-	-	717,775
Retained earnings (deficit)	693,434	88,092	(598,960)	(149,392)	33,174
Equity attributable to the owners of the parent company	**1,442,598**	**1,030,025**	**(598,960)**	**(149,392)**	**1,724,271**
Non-controlling interests					
Total equity	**1,442,598**	**1,030,025**	**(598,960)**	**(149,392)**	**1,724,271**
Non-current liabilities:					
Borrowings	-	503,164	-	-	503,164
Grants	27,522	845,435	-	-	872,957
Provisions for emission allowances	-	-	-	15,907	15,907
Other non-current accounts payable and liabilities	6,228	641	-	49,607	56,476
Deferred income tax liabilities	21,980	109,336	-	(4,347)	126,969
Total non-current liabilities	**55,730**	**1,458,576**	**-**	**61,167**	**1,575,473**
Current liabilities:					
Borrowings	-	31,828	-	-	31,828
Trade payables	58,722	74,967	-	-	133,689
Advance amounts received	487	3,358	-	-	3,845
Income tax payable	-	490	-	-	490
Provisions for emission allowances	-	54,212	-	13,070	67,282
Other accounts payable and liabilities	12,950	5,455	-	-	18,405
Total current liabilities	**72,159**	**170,310**	**-**	**13,070**	**255,539**
Total liabilities	**127,889**	**1,628,886**	**-**	**74,237**	**1,831,012**
TOTAL EQUITY AND LIABILITIES	**1,570,487**	**2,658,911**	**(598,960)**	**(75,155)**	**3,555,283**

41 Business combination (continued)

The Company's statement of comprehensive income for the year ended 31 December 2010 adjusted for business combination and correction of errors (Note 2.31) is presented in the table below:

	Lietuvos Energija AB As at 31 December 2010	Lietuvos Elektrinė AB As at 31 December 2010	Correction of errors	Company As at 31 December 2010 (restated)
Revenue				
Sales revenue	981,930	247,437	(16,536)	1,212,831
Other operating income	628	22		650
Total revenue	**982,558**	**247,459**	**(16,536)**	**1,213,481**
Operating expenses				
Purchase of electricity and related services	(830,277)	(50,377)	-	(880,654)
Purchase of gas	-	(125,325)	-	(125,325)
Depreciation and amortisation	(23,174)	(10,243)	1,996	(31,421)
Wages and salaries and related expenses	(17,851)	(10,917)	-	(28,768)
Repair and maintenance expenses	(2,765)	(5,802)	-	(8,567)
Revaluation and provisions for emission allowances	-	(13,975)	-	(13,975)
Provision for onerous contract	-	-	(28,977)	(28,977)
Impairment write-down of inventories (reversal)	515	(8,992)	-	(8,477)
Impairment of investments in subsidiaries	(5,746)	-	-	(5,746)
Other expenses	(20,943)	(3,335)	-	(24,278)
Total operating expenses	**(900,241)**	**(228,966)**	**(26,981)**	**(1,156,188)**
OPERATING PROFIT(LOSS)	**82,317**	**18,493**	**(43,517)**	**57,293**
Finance income	3,124	1,201	-	4,325
Finance costs	(502)	(2,289)	-	(2,791)
PROFIT (LOSS) BEFORE INCOME TAX	**84,939**	**17,405**	**(43,517)**	**58,827**
Current income tax expense	(11,542)	(3,965)		(15,507)
Deferred income tax (expense)/income	20,122	2,723	4,347	27,192
NET PROFIT (LOSS) FOR THE YEAR	**93,519**	**16,163**	**(39,170)**	**70,512**
Net profit (loss) for the year from discontinued operations, net of related income tax	(47,600)	-	-	(47,600)
NET PROFIT (LOSS) FOR THE YEAR	**45,919**	**16,163**	**(39,170)**	**22,912**
COMPREHENSIVE INCOME (LOSS)	24,085	-	-	24,085
NET PROFIT (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	**70,004**	**16,163**	**(39,170)**	**46,997**

41 Events after the end of the reporting period

Planned investments

Lietuvos Energija AB and Fortum Heat Lietuva UAB signed a letter of intention in relation to investment project for the designing, construction and maintenance of Cogeneration Power Plant in Vilnius city. The newly constructed power plant is expected to have approx. 50 MW electric power capacity and approx. 110 MW thermal power capacity, it will use biomass and other fuel of local origin. The value of planned investments is expected to reach approx. EUR 200 million.

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