VST

KAD GYVENTI BŪTŲ ŠVIESIAU

Joint Stock Company "VST"

Financial statements for the year 2009 prepared in accordance with International Financial Reporting Standards as adopted by the European Union presented together with annual report and independent auditors' report

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

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PRICEWATERHOUSECOOPERS

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Translation note

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

Independent Auditor's Report

To the Shareholders of VST AB

Report on the Financial Statements

We have audited the accompanying financial statements of VST AB ('the Company') set out on pages 5 - 30 which comprise the balance sheet as of 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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 EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed below, 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 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 audit opinion.

PRICEWATERHOUSECOOPERS

Basis for Qualified Opinion - scope limitation

According to the Company's accounting policy, property, plant and equipment should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 2.4 and Note 11 to the financial statements, the recent amendments to the legislation may have a significant adverse impact on the fair value and recoverable amount of the Company's assets. The Company's management was not able to reassess fair values of property, plant and equipment with the carrying amount of LTL 2,334 million as of 31 December 2009, or to carry out a proper impairment test, and, instead, recognised a decline in value of most items using the indices of construction prices as published by the Lithuanian Department of Statistics. It has not been possible to estimate reliably the financial effects of this non-compliance.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the *Basis for Qualified Opinion - scope limitation* paragraph, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2009 set out on pages 31 – 92 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 2009.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner
Vilnius, Republic of Lithuania
20 March 2010

Rimvydas Jogėla
Auditor's Certificate No.000457

(all amounts are in LTL '000 unless otherwise stated)

Statement of comprehensive income

	Notes	2009	2008
Sales	3	1 129 572	1 159 752
Other operating income	4	3 998	4 397
		1 133 570	1 164 149
Purchases of electricity	5	(683 499)	(676 956)
Depreciation and amortisation	11, 12, 19	(268 552)	(274 197)
Wages, salaries and social security		(72 452)	(71 188)
Repair and maintenance expenses		(13 817)	(24 442)
Spare parts and other inventories	13	(16 021)	(13 715)
Utilities and communications expenses		(6 758)	(6 735)
Revaluation of property, plant and equipment	11	(51 257)	(21 597)
Property, plant and equipment write-offs and impairment	11	(5 885)	(3 317)
Other operating expenses	7	(18 008)	(26 765)
		(1 136 249)	(1 118 912)
Operating profit		**(2 679)**	**45 237**
Financial income	8	4 530	16 183
Financial expenses	8	(15 805)	(32 946)
Profit (loss) before tax		**(13 954)**	**28 474**
Income tax	22	18 585	(16 799)
Net profit for the year		**4 631**	**11 675**
Other comprehensive income (expenses):			
Gains (losses) on revaluation of property, plant and equipment	11	(226 119)	271 216
Deferred tax on assets revaluation	22	45 224	(40 103)
Change in estimation of deferred tax due to the change in tax rate	22	61 578	(88 903)
Other comprehensive income for the period		**(119 317)**	**142 210**
Total comprehensive income for the period		**(114 686)**	**153 885**
Basic and diluted earnings per share, in LTL	10	1.25	3.14

The financial statements presented on pages 5 to 30 were approved by the General Director and Director of Financial Department on 20 March 2010.

The notes on pages 9 to 30 are an integral part of these financial statements.

Rimantas Vaitkus
General Director

(signature)

Ramutė Ribinskienė
Director of Financial Department

(signature)

(all amounts are in LTL '000 unless otherwise stated)

Balance sheet

	Notes	As of 31 December	
		2009	**2008**
ASSETS			
Non-current assets			
Property, plant and equipment	11	2 410 145	2 849 527
Intangible assets	12	80	98
Non-current receivables	14	14 022	-
		2 424 247	2 849 625
Current assets			
Inventories	13	9 424	11 193
Trade and other receivables	14	124 848	95 070
Prepayments, deferred charges and unbilled revenue	15	11 347	11 311
Cash and cash equivalents	16	74 927	6 232
		220 546	123 806
Total assets		**2 644 793**	**2 973 431**
EQUITY			
Share capital	17	111 540	111 540
Revaluation reserve	11	1 046 820	1 319 030
Legal reserve	2.16	11 154	11 154
Retained earnings		337 449	179 925
Total equity		**1 506 963**	**1 621 649**
LIABILITIES			
Non-current liabilities			
Borrowings	18	386 148	488 937
Grants and subsidies	19	41 284	26 698
Employee benefit liability	20	1 185	1 185
Deferred income	21	193 281	180 744
Deferred income tax liability	22	228 643	399 938
		850 541	1 097 502
Current liabilities			
Borrowings	18	102 788	105 869
Trade, other financial liabilities and other payables	23	136 042	84 950
Other payables	23	4 596	5 447
Advances received, accrued charges and deferred income	24	38 276	56 934
Income tax payable		5 587	1 080
		287 289	254 280
Total liabilities		**1 137 830**	**1 351 782**
Total equity and liabilities		**2 644 793**	**2 973 431**

The notes on pages 9 to 30 are an integral part of these financial statements.

Rimantas Vaitkus	Ramutė Ribinskienė
General Director	Director of Financial Department
(signature)	(signature)

(all amounts are in LTL '000 unless otherwise stated)

Statement of Cash flow

	Notes	2009	2008
Cash flows from operating activities			
Net profit		4 631	11 675
Adjustments for non-cash items:			
- Income tax	22	(18 585)	16 799
- Depreciation and amortisation	11, 12	269 987	275 734
- Depreciation of property, plant and equipment received at no consideration	19	(1 435)	(1 537)
- Recognition of income from the connection of new customers	3, 21	(8 515)	(6 624)
- Unbilled revenue from electricity sales and overdeclared revenue	15, 24	758	(594)
- Loss (gain) on sale of property, plant and equipment	7	(125)	442
- Write-offs and impairment (reversal of impairment) of property, plant and equipment, revaluation effect	7	57 142	24 914
- Impairment (reversal) of impairment of receivables and prepayments	7	2 741	2 578
- Inventories surplus and (reversal) of inventories impairment		(128)	(1 990)
- Accrued wages, salaries and social security expenses and other accruals	24	14 358	2 421
- Interest (income)	8	(4 530)	(16 183)
- Interest expenses	8	15 765	32 835
- Other (income)		(152)	-
		331 912	340 470
Changes in working capital:			
- (Increase) decrease in inventories		1 896	(1 386)
- (Increase) decrease in receivables, prepayments and deferred charges		544	(15 325)
- Increase in deferred income	21	21 758	61 112
- Increase (decrease) in payables, other financial liabilities, advances received and accrued charges		(4 621)	11 344
Cash flow from operations		351 489	396 215
Income tax (paid)		(41 250)	(32 580)
Net cash flows from operating activities		**310 239**	**363 635**
Cash flows (to) investing activities			
(Purchase) of property, plant and equipment		(94 597)	(144 784)
(Purchase) of intangible assets	12	(105)	-
Proceeds from sale of property, plant and equipment		1 525	945
Grants received		345	-
Loans grated		(48 000)	-
Loan repayments received		17 000	43
Interest received		4 530	16 183
Net cash flows (to) investing activities		**(119 302)**	**(127 613)**
Cash flows (to) financing activities			
Proceeds from loans		-	846 489
Loans (repaid)		(105 870)	(630 882)
Financial lease payments		-	(119)
Interest (paid)		(16 242)	(32 377)
Dividends (paid)		(130)	(619 341)
Net cash flows (to) financing activities		**(122 242)**	**(436 230)**
Net (decrease) increase in cash and cash equivalents		**68 695**	**(200 208)**
Cash and cash equivalents at beginning of year		6 232	206 440
Cash and cash equivalents at end of year	16	**74 927**	**6 232**

The notes on pages 9 to 30 are an integral part of these financial statements.

Rimantas Vaitkus
General Director

______________ (signature)

Ramutė Ribinskienė
Director of Financial Department

______________ (signature)

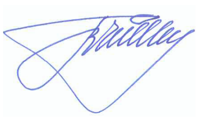
(all amounts are in LTL ‘000 unless otherwise stated)

Statement of changes in equity

	Notes	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total
Balance as at 31 December 2007		**111 540**	**1 345 069**	**11 154**	**620 612**	**2 088 375**
Total comprehensive income		-	142 210	-	11 675	153 885
Transfer from revaluation reserve to retained earnings (depreciation and write-offs) - gross			(210 311)		210 311	-
Transfer from revaluation reserve to retained earnings (depreciation and write-offs) - tax		-	42 062	-	(42 062)	-
Total		-	(26 039)	-	179 924	153 885
Transactions with owners						
Dividends declared for 2007	9	-	-	-	(620 611)	(620 611)
Balance as at 31 December 2008		**111 540**	**1 319 030**	**11 154**	**179 925**	**1 621 649**
Total comprehensive income		-	(119 317)	-	4 631	(114 686)
Transfer from revaluation reserve to retained earnings (depreciation and write-offs) - gross		-	(191 117)		191 117	-
Transfer from revaluation reserve to retained earnings (depreciation and write-offs) - tax		-	38 224	-	(38 224)	-
Balance as at 31 December 2009		**111 540**	**1 046 820**	**11 154**	**337 449**	**1 506 963**

The notes on pages 9 to 30 are an integral part of these financial statements.

Rimantas Vaitkus
General Director



(signature)

Ramutė Ribinskienė
Director of Financial Department

(signature)

Notes to the financial statements

1 General information

Joint Stock Company VST (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania and was established following the reorganisation of JSC Lietuvos Energija and registered on 31 December 2001. The Company has changed the name to JSC VST on 26 April 2005 from JSC Vakarų Skirstomieji Tinklai.

The financial statements cover the separate Company's financial statements as of 31 December 2009.

The shares of the Company are traded on the Baltic Secondary List of the NASDAQ OMX Vilnius.

As of 27 May 2008 and 31 December 2007 the shareholders of the Company were as follows:

Shareholder	Number of shares	(%)
UAB NDX Energija	3 610 159	97.10
Other shareholders	107 839	2.90
	3 717 998	100.00

On 27 May 2008 UAB NDX Energija transferred 3 610 159 shares of the Company to LEO LT, AB as a non-monetary contribution.

After 27 May 2008 the shareholders of the Company were as follows:

Shareholder	Number of shares	(%)
LEO LT, AB	3 610 159	97.10
Other shareholders	107 839	2.90
	3 717 998	100.00

As of 31 December 2008, the shareholders of the Company were as follows:

Shareholder	Number of shares	(%)
LEO LT, AB	3 651 524	98.21
Other shareholders	66 474	1.79
	3 717 998	100.00

As of 31 December 2009, the shareholders of the Company were as follows:

Shareholder	Number of shares	(%)
LEO LT, AB	3 651 534	98.21
Other shareholders	66 464	1.79
	3 717 998	**100.00**

Ultimate controling parent is LEO LT AB. 100% of LEO LT AB shares belongs to government of Lithuanian Republic (ultimate controling party).

The Company's main activity is distribution and supply of electricity in Western Lithuania.

On 26 November 2009, a sitting of the National Control Commission for Prices and Energy (hereinafter "the Commission") was convened where it was decided to announce prices of electric power and the distribution service for 2010 applicable to AB VST. With effect from 1 January 2010, the price of the electricity increased by an average of 9 ct/kWh (excl. VAT) for residential customers and by an average of 7 ct/kWh (excl. VAT) for industrial and commercial customers. Prices are announced by the Commission in the manner prescribed by the legislative acts. The increase in prices of electricity in 2010 has been caused by the increase in production costs by 9 ct/kWh following the closedown of the Ignalina Nuclear Power Plant.

The activities of the Company are regulated by the Lithuanian Law on Electricity.

The National Control Commission for Prices and Energy regulates the Company's activities by setting price-caps of licensed activity services. In 2009 the following caps on public power tariffs were set:

- for users that receive power from networks with voltage below 110 kV but not lower than 6kV, 28.10ct/kWh (25.51ct/kWh – 2008 m.);

- for users that receive power from 0.4 kV voltage networks, 38.33ct/kWh (35.87 ct/kWh – 2008 m.).

The average number of the Company's employees was 1 846 in 2009 (1 855 in 2008).

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

2 Summary of accounting policies

2.1 Basis of preparation

These financial statements have been prepared on a historical cost basis, except for property, plant and equipment that have been measured at revalued amounts. The financial statements are presented in Litas and all values are rounded to the nearest thousand (LTL 000) except when otherwise indicate

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter EU).

(a) Relevant new or amended standards and interpretations effective in 2009

IAS 1 (Revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The revised standard prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

2 Summary of accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Improving Disclosures about Financial Instruments - Amendment to IFRS 7 ‘Financial Instruments: Disclosures’ (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

IFRS 8, ‘Operating segments’ (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, ‘Disclosures about segments of an enterprise and related information’. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This amendment does not have an impact on the Company’s financial statements, since the Company operates in one segment.

IAS 23 (Revised) ‘Borrowing Costs’, including amendment published by IASB in May 2008 as part of annual improvement project (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Currently this standard is not applicable to the Company as there are no qualifying assets.

(b) New and amended standards and interpretations effective in 2009 but not relevant to the Company

The following new and amended standards and interpretations as adopted by EU are mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant to the Company’s operations:

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. These amendments do not have an impact on the Company’s financial statements.

IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'(effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment does not have any impact on the Company’s financial statements.

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment does not have an impact on the Company’s financial statements.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company’s operations, because it does not operate any loyalty programmes.

On the 23 January 2009, the EU endorsed the Improvements to IFRSs standard published in May 2008 which amends 20 existing standards, basis of conclusions and guidance. These improvements include changes in presentation, recognition and measurement as well as terminology and editorial changes. Most of these changes are effective for periods beginning on or after 1 January 2009. These amendments are not expected to have significant impact on the Company’s financial statements.

IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (IFRIC 11 as adopted by the EU is effective for annual periods beginning on or after 1 March 2008, early adoption permitted). The interpretation contains guidelines on the following issues: an entity grants its employees rights to its equity instruments that may or must be repurchased from a third party in order to settle obligations towards the employees; or an entity or its owner grants the entity's employees rights to the entity's equity instruments. Adoption of the interpretation did not have any significant impact on the Company’s financial statements.

IFRIC 12, Service Concession Arrangements (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009, early adoption permitted). The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. Application of IFRIC did not have any impact on the Company’s financial statements.

IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14 as adopted by the EU is effective for annual periods beginning on or after 31 December 2008, early adoption permitted). The interpretation contains guidance on when refunds or reductions in future contributions may be regarded as available for the purposes of the asset ceiling test in IAS 19, Employee Benefits. The interpretation did not have any effect on the Company’s financial statements.

(c) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company’s accounting periods beginning on or after January 2010 or later periods, but the Company has not early adopted them:

IFRS 3 ‘Business Combinations’ (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The standard should not be applicable to the Company.

IFRIC 15 ‘Agreements for the Construction of Real Estate’ (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. IFRIC 15 should not be applicable to the Company.

2 Summary of accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, with early adoption permitted). IFRIC 16 should not be applicable to the Company.

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

Eligible Hedged Items—Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The standard should not be applicable to the Company.

IFRIC 17 'Distribution of Non-Cash Assets to Owners' (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 should not be applicable to the Company.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The standard should not be applicable to the Company.

IFRIC 18 'Transfers of Assets from Customers' (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. The Company will apply IFRIC 18 prospectively from 1 January 2010. The Comapny is still assessing the impact of IFRIC 18 on its financial statements.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 19 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009, with early adoption permitted). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. These amendments do not have an impact on the Company's financial statements.

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. This amendment does not have an impact on the Company's financial statements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 'Share-based Payment' (effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU).

Additional Exemptions for First-time Adopters - Amendments to IFRS 1 'First-time Adoption of IFRS' (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU).

IAS 24 'Related Party Disclosures' (amended November 2009, effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). 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.

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

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). This 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; not yet adopted by the EU). 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.

Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1) (effective for annual periods beginning on or after 1 July 2009). This amendment to IFRS 5 is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that an entity committed to a sale plan involving loss of control of a subsidiary would classify the subsidiary's assets and liabilities as held for sale. The revised guidance should be applied prospectively from the date at which the entity first applied IFRS 5.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). 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. The amendment is not applicable to the Comapny's financial statements.

Improvements to International Financial Reporting Standards, issued in April 2009 (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the improvements have not yet been adopted by the EU).

2 Summary of accounting policies (cont'd)

2.2 Foreign currency translation

Functional currency

The amounts shown in these financial statements are measured and presented in local currency, Litas (LTL). The Litas is the functional currency of the Company.

Since 2 February 2002, the Litas is pegged to the Euro at a rate of LTL 3.4528 = EUR 1.

Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income under finance income or costs.

2.3 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.

2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to the estimation of accrued revenue recognition (Notes 2.5 and 15), over declared income calculation (Note 24), depreciation (Notes 2.8 and 11), revaluation and impairment evaluation (Notes 2.8, 2.10 and 11). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Overdeclaration of income

The Company increased electricity prices from the beginning of the year 2010. Due to this reason some of the residents declared more electricity than actually consumed in order to pay at lower 2009 prices. The Company estimated the over declared amount based on the historical electricity consumption pattern and booked the amount as deferred income (Note 24).

Accrued income

The revenue from the residential customers is recognised based on payments received, therefore at the end of each reporting period the amount of the revenue earned but not payed yet by the residential customers is estimated and accrued by the Company's management. The Company's management has estimated that most of the residential customers declare and pay for the electricity usage on approx. 20th day of the month, while the electricity is used for full month (30 or 31 days), therefore the usage for the remaining 10 days is proportionally estimated based on total December month usage declared by the residential customers and multiplied by the average rate per 1 kWh of electricity (Note 15).

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Deferral of customer connection fees

The Company defer the revenue received for the new customer connections to the electricity network and recognise them as income over the period of aproximately 31 years, which is the average useful life of electricity equipment constructed by the Company for the purposes of connecting new customers. The Company is the only electric power provider to users in Western Lithuania, therefore management believes that the period of customer relations is close to infinite. As a result, the average useful life of electricity equipment constructed by the Company upon customer connection is used as the best estimate of the period over which connection fees paid by customers are recognised as income. For further information see Note 21.

Impairment provision for accounts receivable

Impairment loss of accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the Company could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable. Carrying amounts of receivables are disclosed. For more information see Note 14.

Revaluation and impairment of assets

The Company accounts for property, plant and equipment at fair value according to International Accounting Standard No. 16 'Property, plant and equipment'. Fair value of nearly all items of property, plant and equipment of the Company due to their specific nature was measured based on a depreciated replacement cost approach as at 31 December 2008.

If the value of assets is measured using a depreciated replacement cost method, International Valuation Standards require that an adequate profitability test is performed. Accounting standards require a periodical review of property, plant and equipment for impairment. Property, plant and equipment should be impaired if its carrying value in the balance sheet is higher than either its value in use or fair value less cost of sale. In other words, this means that the carrying amount of property, plant and equipment in the balance sheet should be written down to the higher of either the current value of the future benefits that would be derived by the Company from the continued use of the assets or the proceeds it would derive from the asset's immediate retirement and disposal.

2 Summary of accounting policies (cont'd)

2.4 Critical accounting estimates and judgements (cont'd)

The previous version of the Lithuanian Law on Electricity valid 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 licensed activities of the service provider with values being established on the grounds of data reported in the service provider's financial statements (Regulated Assets Base).

According to the amendment effective from 1 June 2009 the Law now requires the price caps of electricity transmission, distribution and public supply services to be determined based on the value of assets used in licensed activities of the service provider with values being estimated and approved by the National Control Commission for Prices and Energy (hereinafter "the Commission") in accordance with the principles of determination of the value of assets used in licensed activities of the service provider that have been drafted by the Commission and approved by the Government.

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

Management believes, that the aforementioned amendments to regulatory legislation have a significant negative impact on the fair value of property, plant and equipment. Due to the reasons specified, values of property, plant and equipment reported in these financial statements may materially differ from those that would be determined if the valuation of assets were performed by independent valuers as required by International Valuation and Accounting Standards. It is probable that such valuation would have a negative effect on the results of the Company's activities and 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 made to regulatory legislation come into force only from 1 January 2010 and their impact on the future revenue generation of the Company cannot be accurately assessed. Therefore in the opinion of management as at the date of these financial statements it is not possible to estimate the fair value of the Company's property, plant and equipment reliably. For further information see Note 11 and Note 25.

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 management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Recent volatility in global and Lithuanian financial markets

The ongoing global liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impac of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

For more details on other estimates please refer to the respective notes mentioned above.

2.5 Revenue recognition

All revenue are recognised net of value added tax and discounts directly related to sales.

Electricity sales revenue

Revenue on electricity sales to residential sector customers is recognised when electricity is provided. An estimate of unbilled revenue is made to record amounts earned, but not yet received at the end of each accounting period.

Revenue on electricity sales to business customers is recognised when services are rendered based on the actual usage of the electricity.
Customers' connection fees

Contributions received from the new customers and producers for connection and reconstruction or transfer of the network items or equipment, according to the request of the customers, producers and others, initially are recognised as deferred revenue and subsequently recognised as income over the same period during which the related costs of installation are charged. The related costs of installation, which include cost of property, plant and equipment and other costs are capitalised and depreciated over the estimated useful lives of the capitalised assets.

Interest income

Revenue is recognised as interest accrues (using the effective interest method). Interest income is included in the finance revenue in the statement of comprehensive income.

Other income

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from the rendering of services is recognised on accrual basis, the period when the services are actually provided which is usually completed by the work acceptance act. The Company does not operate under long term service rendering contracts.

2 Summary of accounting policies (cont'd)

2.6 Income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Income tax related to items recognised directly in equity is recognised in equity.
Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation
The standard income tax rate in Lithuania is 20% (2008: 15%). Starting 1 January 2010 new income tax rate of 15% will be applied

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

2.7 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average of ordinary registered shares issued. Provided that the number of shareholders changes without causing a change in the economical 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 presented. Since there are no instruments reducing earnings per share, there is no difference between the basic and diluted earnings per share.

2.8 Property, plant and equipment

Tangible assets are attributed to property, plant and equipment if their useful life exceeds one year.

Construction in progress is stated at historical cost less accumulated impairment losses.

All other property, plant and equipment are shown at revalued amounts, based on periodic (at least every 5 years) valuations by external independent appraisers or by the Company's management (the management estimated values for assets that will be 100 % reconstructed in the nearest future), less subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost includes property, plant and equipment part replacement expenses, as incurred, if these expenses correspond the recognition criterion. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is adjusted to the revalued amount of the assets. All other repair and maintenance costs are recognised in profit or loss as incurred.

Increases in the carrying amount arising on the evaluation of property, plant and equipment are credited directly to other comprehensive income and in the revaluation reserve in equity. Decreases arising on subsequent revaluations that offset previous increases of the same asset are recognised in other comprehensive income and decrase the previously recognised revaluation reserve in equity. All other decreases are charged to profit or loss for the year. Revaluation increases in property plant and equipment value that offset previous decreases are taken to profit or loss for the year. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to other comprehensive income and revaluation reserve in equity. The revaluation reserve in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset net of applicable deferred tax.

Depreciation of property, plant and equipment is calculated using the straight-line method of the carrying value of each asset over its estimated useful lives as follows:

- Buildings	10 - 80 years
Including:	
35 - 110 kV transformer substation buildings	35 years
10 kV distribution point buildings	35 years
10/0.4 kV transformer buildings	50 years
Connection and control system buildings	25 years
- Structures and machinery	5 - 50 years
Including:	
35 - 110 kV transformer substations (except buildings)	25 - 40 years
10 kV distribution points (except buildings)	35 years
10/0.4 kV power transformers	35 years
35 kV power lines	40 years
0.4 - 10 kV electricity network	30 - 40 years
10/0.4 kV transformers (except buildings)	30 years
Connection and control systems (except buildings)	10 - 40 years
- Vehicles	4 - 15 years
- Other tangible assets	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The review of useful lives is performed after revaluation of assets as well.

The useful lives of assets that are planned to be 100 % reconstructed in the future are shortened until the start of the reconstruction date.
Property, plant and equipment obtained at no consideration is accounted for at fair value in corresponding captions of property, plant and equipment and deferred income. Property, plant and equipment obtained at no consideration is depreciated by using straight-line method over the estimated useful life of these assets. The amounts accounted for in the deferred income caption are recognised as revenue in the statement of comprehensive income over the period of useful life of this property, plant and equipment and the depreciation expenses of the related property, plant and equipment in the statement of comprehensive income are reduced by this amount.

2 Summary of accounting policies (cont'd)

2.8 Property, plant and equipment (cont'd)

Borrowing costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

When property is retired or otherwise disposed of, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the income statement. Gains and losses on disposal of property, plant and equipment are determined as a difference between proceeds and the carrying amount of the assets disposed. When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

Construction in progress is transferred to appropriate group of property, plant and equipment when it is completed and available for its intended use.

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 1 to 3 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

2.10 Impairment of non-current assets

Each year, property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

2.11 Financial lease and operating lease

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

Company as a lessee

Operating lease payments are recognised as an expenses in profit or loss on a straight line bases over the lease term.

Company as lessor

Lease where the Company does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.12 Grants

Government grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Assets received free of charge are also allocated to this group of grants. The amount of the grants related to assets is recognised as income in the financial statements over the period of depreciation of the assets associated with this grant. In the statement of comprehensive income, depreciation expense account is decreased by the amount of grant amortisation.

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

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using first-in, first-out (FIFO) method. The cost of inventories comprises purchase price, transport, and other costs directly attributable to the cost of inventories. Net realisable value is the estimate of the selling price, less the costs of completion, marketing and distribution.

2 Summary of accounting policies (cont'd)

2.14 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.
For the purposes of the cash flow statement, cash and cash equivalents comprise cash at hand, demand deposits, and other short-term highly liquid investments.

2.15 Share capital

Ordinary shares are stated at their par value.

2.16 Reserves

Legal reserve

A legal reserve is a compulsory reserve under the Law on Joint Stock Companies of the Republic of Lithuania. Annual transfers of 5 % of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, are required until the reserve reaches 10 % of the share capital. The Company has already fully formed the reserve. The legal reserve cannot be distributed as dividends, but can be used to cover any future losses.

Revaluation reserve

Revaluation reserve represents an increase in the carrying amount of property plant and equipment due to the revaluation. The reserve is decreased by the amount of relating deferred income tax upon its recognition. The revaluation reserve included in equity is transferred to retained earnings when it is realised. The revaluation reserve is realised on retirement or disposal of the asset or as the asset is used by the Company, i.e. the amount of reserve realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

2.17 Dividends

Dividends are recorded in the financial statements at the moment they are declared by the Annual General Shareholders' Meeting.

2.18 Borrowings

Borrowing costs are expensed as incurred.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings.

Effectivelly from 1 January 2009 the borrowing costs that relates to assets that is not carried at fair value and that takes a substantial period of time to get ready for use or sale form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009.

2.19 Deferred income tax

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets have been recognised in the balance sheet to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognized in the financial statements.

Deferred income tax relating to items recognised in other comprehensive income also recognised in other comprehensive income

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxation authority and the same taxable entity.

2.20 Investments and other 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 financial assets, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Receivables are carried at original invoice amount less allowance made for impairment of these receivables. An allowance for impairment of trade receivables is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The change of the allowance is recognised in the statement of comprehensive income.

2 Summary of accounting policies (cont'd)

2.20 Investments and other financial assets (cont'd)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business o the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

The Company does not have financial instruments at fair value as of 31 December 2009 and 2008

2.21 Derecognition of financial assets and liabilities

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 wher

- the rights to receive cash flows from the asset have expired;
- the 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 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 Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.22 Offsetting and comparative figures

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

2.23 Employee benefits

Social security contributions

The Company pays 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 plan is a plan under which the Company 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 related to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

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 recognises termination benefits when it is firmly 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. Non-current benefits recognised are recognised at present value discounted using market rate.

Employee benefit liability

Pension liability represents calculated amounts to be paid according to Lithuanian legislation. Each employee is entitled to 2 months salary payment when leaves the job at or after the start of pension period. The defined benefit obligation as of balance sheet date as well as the costs of providing such benefits are based on actuarial calculations applying the projected credit unit method. The discount rate applied reflects the rates set for governmental bonds with a duration similar to the expected benefit payments.

2.24 Contingencies

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

A contingent asset is not recognised in the financial statements, however is disclosed.

2.25 Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(all amounts are in LTL '000 unless otherwise stated)

3 Sales

	2009	2008
Sales of electricity	1 107 263	1 137 555
Sales of reactive energy	13 794	15 573
Customers' connection fees (Note 21)	8 515	6 624
	1 129 572	**1 159 752**

3 757 million kWh of electricity were sold in 2009, i. e. by 6.54 % less than in 2008 (4 020 million kWh – in 2008).
All sales are generated in Lithuania.

4 Other operating income

	2009	2008
Income from installation works	681	1 002
Fines received	882	949
Profit on sales of materials	509	792
Profit on property, plant and equipment	125	-
Services related to electricity	751	690
Rent and teleinformation income	521	612
Other income	529	352
	3 998	**4 397**

5 Purchase of electricity

Purchase of electricity expenses present purchases of electricity from Ignalina Nuclear Power Plant, AB Lietuvos Energija and other electricity producers. There is an increase in purchase of electricity as compared to prior year. The increase is mainly related to highe average electricity purchase price and higher average rates for distribution into Company's network.

6 Repair and maintenance expenses

Repair and maintenance expenses mainly present maintenance works purchased from services providers and value of spare parts utilised.

7 Other operating expenses

	2009	2008
Fuel	3 614	4 691
Cash collection expenses	2 759	2 839
Impairment and write-off of receivables and prepayments (Note 14)	2 741	2 578
Taxes other than income tax	2 149	2 295
IT expenses	1 011	1 171
Loss on disposal of property, plant and equipment	-	442
(Reversal) of net realisable value adjustment (Note 13)	(128)	(1 494)
Other expenses	5 862	14 243
	18 008	**26 765**

8 Financial income / (expenses), net

	2009	2008
Interest income	4 530	16 183
Total finance income	4 530	16 183
Interest (expenses)	(15 765)	(32 835)
Net foreign exchange (losses)	(1)	(20)
Other (expenses)	(39)	(91)
Total finance (expenses)	(15 805)	(32 946)
	(11 275)	**(16 763)**

9 Dividends

	2009	2008*
Dividends declared	-	620 611
Weighted average number of shares (thousands)	-	3 718
Approved dividends per share (expressed in LTL per share)	-	166,92

* The year when dividends are declared

9 Dividends (cont'd)

No dividends were declared for the year 2009. The shareholders of the Company declared dividends in the amount of LTL 620 611 thousand for the year 2008. The major part of the amount was paid out in year 2008. The remaining liability to the shareholders of the Company as of 31 December 2009 amounts to LTL 7 758 thousand (LTL 7 888 thousand as of 31 December 2008) and is accounted for in trade, other financial liabilities and other payables in the balance sheet (Note 23).

10 Earnings per share, basic and diluted

	2009	**2008**
Net profit attributable to shareholders	4 631	11 675
Weighted average number of ordinary shares in issue (thousands) (Note 17)	3 718	3 718
Basic earnings per share (expressed in LTL per share)	1.25	3.14

The Company has no dilutive potential ordinary shares and therefore the diluted earnings per share equal to basic earnings per share.

11 Property, plant and equipment

	Land and buildings	**Structures and machinery**	**Vehicles**	**Other property, plant and equipment**	**Construc-tion in progress**	**Total**
At 31 December 2007						
Cost or revalued cost	333 318	2 554 578	34 158	38 921	59 117	3 020 092
Accumulated depreciation	(12 982)	(251 483)	(8 838)	(11 162)	-	(284 465)
Accumulated impairment	-	-	-	-	(656)	(656)
Net book value	320 336	2 303 095	25 320	27 759	58 461	2 734 971
Year ended 31 December 2008						
Opening net book value	320 336	2 303 095	25 320	27 759	58 461	2 734 971
Additions	140	509	7 472	242	136 421	144 784
Disposals	(428)	(8)	(852)	(99)	-	(1 387)
Write-offs	(181)	(3 397)	(113)	(70)	-	(3 761)
Revaluation	71 000	163 723	5 202	9 694	-	249 619
Changes in impairment charge per year	-	-	-	-	335	335
Reclassifications between groups	9 150	133 949	(17)	13 649	(156 731)	-
Depreciation charge	(15 274)	(245 471)	(6 327)	(7 962)	-	(275 034)
Closing net book value	384 743	2 352 400	30 685	43 213	38 486	2 849 527
At 31 December 2008						
Cost or revalued cost	384 743	2 493 610	34 383	48 679	38 807	3 000 222
Accumulated depreciation	-	(141 210)	(3 698)	(5 466)	-	(150 374)
Accumulated impairment	-	-	-	-	(321)	(321)
Net book value	384 743	2 352 400	30 685	43 213	38 486	2 849 527
Year ended 31 December 2009						
Opening net book value	384 743	2 352 400	30 685	43 213	38 486	2 849 527
Additions		2 088	13 221	5 867	93 967	115 143
Disposals	(1117)	(198)	(85)			(1 400)
Write-offs	(105)	(5 566)	(6)	(13)	(275)	(5 965)
Revaluation	(66534)	(207202)		(3640)		(277 376)
Changes in impairment charge per year					80	80
Reclassifications between groups	917	96 253		498	(97 668)	-
Depreciation charge	(16 474)	(238 060)	(6 924)	(8 406)		(269 864)
Closing net book value	301 430	1 999 715	36 891	37 519	34 590	2 410 145
At 31 December 2009						
Cost or revalued cost	301 430	2 011 019	47 183	40 165	34 832	2 434 629
Accumulated depreciation		(11 304)	(10 292)	(2 646)		(24 242)
Accumulated impairment					(242)	(242)
Net book value	301 430	1 999 715	36 891	37 519	34 590	2 410 145

Revaluation of property, plant and equipment 2008

On 31 May 2008 the Company's property, plant and equipment (except for construction in progress) was revalued by external independent appraiser, UAB Ober-Haus Nekilnojamasis Turtas, qualification certificate No. 000011 issued on 24 January 2000. Valuations were made on the basis of replacement cost, except for other assets (with no business specific features) that were revalued using comparable prices method. The increases and decreases in carrying amounts arising from the revaluation of property, plant and equipment as at 31 December 2008 are as follows:

(all amounts are in LTL '000 unless otherwise stated)

11 Property, plant and equipment (cont'd)

2008	Land and buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Total
Increase in carrying amount	165 170	374 931	5 621	12 481	558 203
Decrease in carrying amount	(75 805)	(211 192)	(419)	(2 563)	(289 979)
	89 365	163 739	5 202	9 918	268 224

Revaluation surplus, amounting to LTL 558 203 thousand, emerged due to LTL 516 141 thousand increase in revaluation reserve and coverage of impairment for previous assets revaluation in the amount of LTL 42 062 thousand. The decrease of LTL 289 979 thousand comprises LTL 233 339 thousand decrease of revaluation reserve of previous revaluation and LTL 56 640 thousand decrease in assets' value, which was accounted for in the statement of comprehensive income. The revaluation surplus, net of applicable deferred income tax effect is accounted for in the revaluation reserve in equity and amounts to LTL 240 382 thousand, while impairment is accounted for in the statement of comprehensive income.

In addition, the Company's property, plant and equipment was revalued by external independent appraiser, UAB Ober-Haus Nekilnojamasis Turtas, using comparable prices method as of 31 December 2008. The increases and decreases in carrying amounts arising from the revaluation of property, plant and equipment as at 31 December 2008 are as follows:

2008	Land and buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Total
Increase in carrying amount	2	13	-	-	15
Decrease in carrying amount	(18 367)	(29)	-	(224)	(18 620)
	(18 365)	(16)	-	(224)	(18 605)

According to the Company's management and as confirmed by the independent appraisers, the fair value (replacement costs) of other asset groups' did not change significantly for the period from 31 May 2008 to 31 December 2008. The carrying amount of Company's property plant and equipment does not differ materially from that which would be determined using fair value at the balance sheet date.
Revaluation surplus, amounting to LTL 15 thousand, emerged due to LTL 15 thousand increase in revaluation reserve. Decrease by LTL 18 620 thousand emerged due to LTL 11 601 thousand decrease of revaluation reserve and LTL 7 019 thousand of impairment expenses accounted for in the statement of comprehensive income. The decrease in revaluation effect, net of applicable deferred income tax effect is accounted for in the revaluation reserve in equity and amounts to LTL 9 269 thousand, while impairment is accounted for in the statement of comprehensive income.

Revaluation of property, plant and equipment 2009

On 31 December 2009 the Company's property, plant and equipment (except for certain buildings, construction in progress, vehicles and quickly depreciated assets such as computers) was revalued using the indexes of construction price as announced by the Statistics Department for 11 months to 30 November 2009. Impairment rate of 12.27% was applied for buildings and constructions and impairment rate of 9.68% was applied for the rest of assets that historically were revalued based on the depreciated replacement costs basis.
The decreases in carrying amounts arising from the revaluation of property, plant and equipment are as follows:

	Land and buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Total
Decrease in carrying amount	(31 373)	(207 157)	-	(2 854)	(241 384)

The revaluation decrease of LTL 241 384 thousand comprises LTL 203 231 thousand decrease of revaluation reserve of previous revaluation and LTL 38 154 thousand decrease in assets' value, which was accounted for in the statement of comprehensive income.

	Land and buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Total
Decrease in carrying amount	(35 161)	(45)	-	(786)	(35 992)

Revaluation decrease, amounting to LTL 35 992 thousand emerged due to LTL 22 888 thousand decrease of revaluation reserve and LTL 13 103 thousand of impairment expenses accounted for in the statement of comprehensive income.

(all amounts are in LTL '000 unless otherwise stated)

11 Property, plant and equipment (cont'd)

The summary of revaluation deficit movement 2009 is included below:

	Decrease in other comrehensive income and revaluation reserve in equity	Charged to the income statement	Total revaluation deficit
Assets previously carried at dpereciated replacement cost	203 231	38 154	241 385
Assets previuosly carried at market value	22 888	13 103	35 991
	226 119	**51 257**	**277 376**

If property, plant and equipment would not be revaluated, carrying values of property, plant and equipment as of 31 December 2009 and 2008 would be as follow:

	Land and buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Total
As of 31 December 2009	233 099	1 047 749	38 344	34 752	1 353 944
As of 31 December 2008	241 728	1 041 124	30 718	33 839	1 347 409

Revaluation reserve

	Revaluation reserve	Deferred income tax	Net of deferred income tax
The balance as at 31 Decmeber 2007	**1 575 512**	**(230 443)**	**1 345 069**
Gains (losses) on revaluation of property, plant and equipment during the year	271 216	(40 103)	231 113
Transfer from revaluation reserve to retained earnings during the year (depreciation and write-offs)	(197 940)	29 691	(168 249)
Change in estimation of deferred tax due to the change in tax rate	-	(88 903)	(88 903)
The balance as at 31 Decmeber 2008	**1 648 788**	**(329 758)**	**1 319 030**
Gains (losses) on revaluation of property, plant and equipment during the year	(226 119)	45 224	(180 895)
Transfer from revaluation reserve to retained earnings during the year (depreciation and write-offs)	(191 117)	38 224	(152 893)
Change in estimation of deferred tax due to the change in tax rate	-	61 578	61 578
The balance as at 31 Decmeber 2009	**1 231 552**	**(184 732)**	**1 046 820**

12 Intangible assets

	Computer software
Year ended 31 December 2008	
Opening net book amount	798
Additions	
Reversal of allowance	
Amortisation charge	(700)
Closing net book value	98
At 31 December 2008	
Cost	8 065
Accumulated amortisation	(7 967)
Net book value	98
Year ended 31 December 2009	
Opening net book amount	98
Additions	105
Amortisation charge	(123)
Closing net book value	80
At 31 December 2009	
Cost	8 170
Accumulated amortisation	(8 090)
Net book value	80

(all amounts are in LTL '000 unless otherwise stated)

13 Inventories

	Year ended 31 December	
	2009	**2008**
Spare parts and supplies (at cost)	10 425	11 891
Electricity meters (at cost)	1 936	2 367
	12 361	14 258
Impairment allowance	(2 937)	(3 065)
	9 424	**11 193**

The Company reviewed slow moving inventories in 2009 and updated the impairment allowance for inventories, accordingly. The decrease in impairment allowance occurred as some of inventories, in amount of LTL 128 thousand, were written off or used.

The acquisition cost of the Company's inventories accounted for at net realisable value as of 31 December 2009 amounted to LTL 2 937 thousand (LTL 3 065 thousand as of 31 December 2008). Changes in the impairment allowance for inventories for the year 2009 and 2008 have been included into operating expenses.

The amount of write-down of inventories recognised as expenses is LTL 16 201 thousand for the year 2009 (LTL 13 715 thousand for the year 2008) and accounted under *spare parts and other inventories* in the profit and loss.

14 Trade and other receivables

		Year ended 31 December	
		2009	**2008**
Non-current receivables		14 022	-
Trade receivables		108 334	115 344
Other receivables		36 837	2 828
Trade and other receivables, gross		159 193	118 172
Impairment allowance for trade receivables	(a)	(19 677)	(22 410)
Impairment allowance for other receivables		(646)	(692)
		(20 323)	(23 102)
		138 870	**95 070**

The decrease in trade receivables impairment allowance in 2009 is due to write off of LTL 5 520 thousand bad debts.

Trade receivables are non-interest bearing and are generally on 30 - 90 days terms.

Other receivables comprise loan granted to parent company LEO LT AB (note 28) for the amount of LTL 31 000 thousand. The loan was granted with the interest rate of one month Vilibor plus margin of 0.75% and maturity date of 31 May 2010. Major part of remaining other receivables and non-current receivables comprise Grants receivable recognised (Note 19).

Trade receivables with the nominal value of LTL 12,316 thousand as at 31 December 2009 (31 December 2008: LTL 17,058 thousand) were fully provided for. Receivables fully provided for includes as follows: receivables from customers placed under the bankruptcy status; debts under claims filed according to unawarded Acts on the inspection of electricity consumption location; receivables past due more than one year; certain receivables from individuals and companies past due more than 3 months. Receivables from residential customers are assessed individually and collectively at the end of each reporting period.

In respect of individually assessed receivables from industrial customers, each amount receivable is assessed as well as its recoverability in view of all factors that could impact impairment of the receivable. Collectively assessed consumers are grouped to several categories in respect of which different impairment rates are applied. Impairment rates are determined based on a percentage portion of the receivable which becomes past due more than one year after the end of the calendar year or observable data or past experience providing evidence for the impairment of cash flows from future amounts receivable depending on the past due period of the receivable.

Movements in the allowance for impairment of receivables were as follows:

Balance as of 31 December 2007	31 159
Charge for the year	2 531
Written off	(10 588)
Balance as of 31 December 2008	23 102
Charge for the year	2 741
Written off	(5 520)
Balance as of 31 December 2009	20 323

Trade and other receivables that are individually impaired amount to LTL 8 622 thousand as of 31 December 2009 (LTL 16 768 thousand as of 31 December 2008).

(all amounts are in LTL '000 unless otherwise stated)

14 Trade and other receivables (cont'd)

Trade and other accounts receivables are written off when the management is of opinion that the amount will not be recovered.

The ageing analysis of trade and other receivables as of 31 December 2009 and 2008 is as follows:

		Trade receivables past due but not impaired					
	Not past due	Less than 30 days	30 - 60 days	60 - 90 days	90 - 120 days	More than 120 days	Total
2009							
Not impaired	77 608	-	-	-	-	-	77 608
Past due but not impaired	-	5 311	762	110	62	309	6 554
Impaired	2 041	1 046	523	806	589	19 167	24 172
Total							**108 334**
Less impairment provision							**(19 677)**
Total							**88 657**
2008							
Not impaired	84 980	-	-	-	-	-	84 980
Past due but not impaired	-	3 132	277	1	1	3	3 414
Impaired	2 317	1 458	665	399	313	21 798	26 950
Total							**115 344**
Less impairment provision							**(22 410)**
Total							**92 934**

Credit quality of financial assets neither past due nor impaired

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

15 Prepayments, deferred charges and accrued income

	Year ended 31 December	
	2009	2008
Unbilled revenue from electricity supply	10 700	10 255
Prepayments for services	191	658
Other prepayments and deferred charges	579	485
	11 470	11 398
Allowance for prepayments	(123)	(87)
	11 347	**11 311**

16 Cash and cash equivalents

	Year ended 31 December	
	2009	2008
Cash at bank and on hand	1 696	4 111
Short-term bank deposits	73 231	2 121
	74 927	**6 232**

In 2009 the effective interest rate for the short-term deposit was 3.59%. In 2008 the effective interest rate for the short-term deposit was 2.28 %.

The fair value of cash, short term deposits and bonds as of 31 December 2009 amounts to LTL 74 927 thousand (LTL 6 232 thousand as of 31 December 2008).

The credit quality of cash and cash equivalents balances may be summarised as follows at 31 December 2009 (based on Moody's rating agency) :

A rated	2 752
AA rated	32 379
AA- rated	39 444
Unrated	352
	74 927

(all amounts are in LTL '000 unless otherwise stated)

17 Share capital

As of 31 December 2009 and 2008, the Company's share capital amounted to LTL 111 540 thousand. As of 31 December 2009 and 2008, the share capital is divided into 3 717 998 ordinary registered shares of LTL 30 par value each. All shares are fully paid. The Company did not hold any of its shares.

18 Borrowings

	Year ended 31 December	
	2009	**2008**
Non- current bank loans	386 148	488 937
Current portion of non-current bank loans	102 788	105 869
Total borrowings	**488 936**	**594 806**

As at 31 December 2009 the Company had the following borrowing agreements entered from year 2008:
with AB Swedbank for the amount of LTL 85 755 thousand, maturity of the loan - 30 November 2011 (31 December 2008: LTL 101 217 thousand)

with Nordea Bank Finland Plc for the amount of LTL 77 263 thousand and LTL 139 303 thousnad, maturity of the loans is 30 November 2011 and 31 March 2013 respectively (31 December 2008: LTL 93 620 thousand and LTL 182 165 thousand respectively)
with AB SEB Bankas for the amount of LTL 85 562 thousand, maturity of the credit line - 30 November 2011 (31 December 2008: LTL 101 120 thousand)
with Danske Bank A/S for the amount of LTL 101 053 thousand, maturity of the loan - 1 April 2013 (31 December 2008: LTL 113 684 thousand)

These loans are denominated in EUR.

In 2009 and in 2008 the Company did not fulfil its obligations concerning cash flows through bank accounts for all loans. However it received confirmations from banks that in their opinion the Company as at 31 December 2009 is in compliance with all contract terms. Therefore the loans were not reclassified to current.

Actual interest rates are close to effective interest rates. As of 31 December 2009 the weighted average interest rate on long term borrowings was 1.529 % (as of 31 December 2008 – 5.66 %). All financial liabilities are subject to variable interest rates. As of 31 December 2009 and 2008 the interest rate refixing periods on financial liabilities varied from 3 to 6 months.

The maturity of non-current borrowings was as follows:

	Year ended 31 December	
	2009	**2008**
Within one year	102 788	105 869
Within 2 to 5 years	386 148	488 937
After 5 years	-	-
	488 936	**594 806**

As at 31 December 2009 and 2008 the Company had no pleadged assets as a security for borrowings.

The Company has concluded an agreement for a LTL 35.4 million overdraft with AB SEB Bankas. This facility remained unused as of the end of 2009.

19 Grants and subsidies

Grants and subsidies relate to financing received from the EU structural funds and property, plant and equipment received by the Company for no consideration.

	Year ended 31 December	
	2009	
Financing from European Union funds	33 402	18 450
Property, plant and equipment received at no consideration (less accumulated depreciation)	7 882	8 248
	41 284	**26 698**

Financing from the European Union structural funds represents support received under the contract signed on 8 July 2005 for the implementation of infrastructure modernization of the Company.
In year 2009 the Company recognised the following grants: LTL 15 000 thousand for the electricity network modernisation provided by VĮ Lietuvos verslo paramos agentūra and LTL 1 021 thousand provided by the Lithuanian ornithologist Union. The cash payment of LTL 345 thousand was already received in year 2009 for those grants.

Amortisation of grants and subsidies, related to property, plant and equipment received at no consideration and financing from European Union funds, amounting to LTL 1 435 thousand in 2009 (LTL 1 537 thousand in 2008) decreased the depreciation expenses of property, plant and equipment in the statement of comprehensive income.

(all amounts are in LTL ‘000 unless otherwise stated)

20 Employee benefit liability

The amount presents pension liability according to Lithuanian legislation. According to Lithuanian Labour Law each employee upon th retirement is entitled to receive payment of 2 monthly salaries from its employer.

21 Deferred income

Deferred income relates to contributions received from new customers for the assets installed.

Information about the connection income is presented below:

	Year ended 31 December	
	2009	**2008**
Opening balance	188 901	137 405
New customers fees received during the year	21 758	58 120
Recognised as income in the statement of comprehensive income	(8 515)	(6 624)
Closing balance	**202 144**	**188 901**
Current portion of new customer connection income (Note 24)	(8 863)	(8 157)
	193 281	**180 744**

22 Deferred tax liability, net

The change in the deferred income tax accounts is as follows:	Year ended 31 December	
	2009	**2008**
Components of income tax expenses (benefit):		
Current year income tax expenses	45 665	39 373
Adjustments of income tax for the previous years	244	(290)
Deferred income tax (benefit)	(64 494)	(22 284)
Income tax expenses (income) charged to the statement of comprehensive income	**(18 585)**	**16 799**

	Year ended 31 December		Charged (credited) to	
	2009	**2008**	**the income statement**	**other comprehensive income**
Components of deferred income tax asset:				
New customers connection income	8 812	12 267	3 455	-
Accrued expenses	142	190	48	-
Deferred income	965	806	(159)	-
Impairment of assets (inventories and trade accounts receivable)	3 508	5 087	1 579	-
Deferred income tax asset before valuation allowance	13 427	18 350	4 923	-
				-
Less: valuation allowance	-	(244)	(244)	-
Deferred income tax asset, net	**13 427**	**18 106**	**4 679**	**-**
Components of deferred income tax liability:				
Property, plant and equipment revaluation and changes in depreciation periods	(230 126)	(400 402)	(63 475)	(106 801)
Accelerated tax depreciation	(11 944)	(17 642)	(5 698)	-
Deferred income tax liability	**(242 070)**	**(418 044)**	**(69 173)**	**(106 801)**
Deferred income tax, net	**(228 643)**	**(399 938)**	**(64 494)**	**(106 801)**

Deferred income tax asset and deferred income tax liability are set off in the balance sheet of the Company, as they both are related to the same tax authority.

While assessing deferred income tax asset and liability components for the year ended 31 December 2009 the Company has used the income tax rate of 15 % for those items, which will be realised in 2010 and later. Decrease of deferred tax asset and liability due to decrease in income tax rate amounted to LTL 61 578 thousand and was accounted for in other comprehensive income.

Deferred income tax related to items charged or credited to other comprehensive income

	Year ended 31 December	
	2009	**2008**
Change in estimation of deferred tax due to the change in tax rate	61 578	(88 903)
Deferred tax on assets revaluation	45 224	(40 103)
	106 802	**(129 006)**

(all amounts are in LTL '000 unless otherwise stated)

22 Deferred tax liability, net (cont'd)

The reported amount of income tax expenses attributable to operations for the year can be reconciled to the amount of income tax expenses that would result from applying the statutory income tax rate of 20 % for 2009 and 15 % for 2008 to pretax income from continuing operations as follows:

	Year ended 31 December	
	2009	**2008**
Profit (loss) before tax	(13 954)	28 474
Income tax calculated at 20 % (2008 – 15 %)	(2 791)	4 271
Permanent differences	(1 400)	1 534
Prior year income tax corrections	243	(290)
Changes in valuation allowance	-	(314)
Effects of changes in income tax rate	(14 637)	11 598
Income tax (benefit) expenses charged to the statement of comprehensive income	**(18 585)**	**16 799**

23 Trade, other financial liabilities and other payables

	Year ended 31 December	
	2009	**2008**
Trade payables	128 252	77 032
Dividends payable	7 758	7 888
Other	32	30
Trade and other financial liabilities	136 042	84 950
Wages, salaries and social security payable	1 836	478
Taxes other than income tax	2 760	4 969
Other payables	4 596	5 447
	140 638	**90 397**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 15 - 60 day terms. The same terms apply for sales to related parties.
- Other payables are non-interest bearing and have an average term of 1 - 2 months.

24 Advances received, accrued charges and deferred income

		Year ended 31 December	
		2009	**2008**
Accrued charges	(a)	6 763	21 121
Advances for new connections		12 125	19 637
Current portion of new customer connection income (Note 21)		8 863	8 157
Deferred income – advances received for the electricity	(b)	6 433	5 230
Other advances		4 092	2 789
		38 276	**56 934**

(a) An accrued charges caption mainly contains accrued payroll-related liabilities to employees (vacation and bonus accruals) and related social security taxes that amounted to LTL 6 324 thousand and LTL 7 281 thousand as of 31 December 2009 and 2008, respectively.

(b) The Company has deferred the estimated overdeclaration of electricity that took place in 2009 due to the fact that the electricity prices were increased from 1 January 2010. The overdeclared amount was accounted for as advances for electricity received.

25 Financial risk management

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sale of services and electricity on credit terms and other transactions with counterparties giving rise to financial assets.

The Company does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the balance sheet. Consequently, the Company considers that its maximum exposure is reflected by the amount of bonds and trade receivables, net of allowance for doubtful accounts recognized at the balance sheet date.

Due to the specific activity of the Company there is no requirement for collateral. The Company's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances, estimate on receivables recoverability are made.

Maximum exposure to credit risk amounts to LTL 213 797 thousand and LTL 101 302 thousand as of 31 December 2009 and 2008, respectively.

(all amounts are in LTL '000 unless otherwise stated)

25 Financial risk management (cont'd)

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company does not haveformal policies in place for management of interest rate risks.

The major part of the Company's borrowings is with variable rates, related to EURIBOR, which creates an interest rate risk. There are no financial instruments designated to manage its exposure to fluctuation in interest rates outstanding as of 31 December 2009 and 2008. The Comapny has one loan receivable sensitive to changes of interest rate.

The following table demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity, other than current year profit impact.

	Increase/ decrease in percentage points	Effect on profit before tax
2009		
LTL	+ 0,5	155
LTL	- 0,5	(155)
EUR	+ 0,5	(2 445)
EUR	- 0,5	2 445
2008		
LTL	+ 0.5	(15)
LTL	- 2.0	60
EUR	+ 0.5	(2 959)
EUR	-2,5	14 794

Foreign exchange risk

All monetary assets and liabilities of the Company are denominated in litas or euro, and the exchange rate of the latter is fixed in respect to litas; therefore, the Company practically is not exposed to the foreign exchange rate risk.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Company's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets - inventories) / total current liabilities) as of 31 December 2009 were 0.82 and 0.78 respectively (0.49 and 0.44 as of 31 December 2008, respectively).

Current liabilities of the Company exceed its current assets, because the Company started to apply longer period of repayment for transactions with suppliers and contractors. In addition, due to changes in determination of the price caps of electricity transmission, distribution and public supply services (see Note 2.4), the Company may face additional liquidity issues in a long run.

Although the management expects negative cash flows from operations in 2010, it belives the Company has sufficient funds accumulated and support from its banks to cover all cash outflows in 2010. However, the Company may face significant liquidity issues beyond 2010, if the current regulation on the price caps of electricity transmission, distribution and public supply services (as dicussed in Note 2.4) is not amended.

The table below summarises the maturity profile of the Company's financial liabilities as of 31 December 2009 and 2008 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	49 021	142 850	466 745		658 616
Trade and other financial liabilities	-	84 951	-	-	-	84 951
Balance as of 31 December 2008	-	133 972	142 850	466 745	-	743 567
Interest bearing loans and borrowings	-	27 565	82 112	393 121	-	502 798
Trade and other financial liabilities	-	136 042	-	-	-	136 042
Balance as of 31 December 2009	-	163 607	82 112	393 121	-	638 840

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

The carrying amount of the financial assets and financial liabilities of the Company as of 31 December 2009 and 2008 approximates their fair value.

The fair value of loans, other financial liabilities and other financial assets have been calculated using market interest rates.

(all amounts are in LTL '000 unless otherwise stated)

25 Financial risk management (cont'd)

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

a) The carrying amount of current trade and other accounts receivable, current trade and other accounts payable and short-term borrowings approximates fair value due to their relatively short maturity.

b) The fair value of non-current debt is based on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts.

Set out is a fair values of financial instruments by category:

	Year ended 31 December	
	2009	**2008**
Financial assets		
Loans and receivables	139 334	115 344
Cash	74 927	6 232
Financial liabilities		
Borrowings	488 936	594 806
Payables	128 252	77 032

Capital management

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements. Capital includes equity attributable to equity holders.

The Company defines its capital as equity and debt less cash and cash equivalents.

The Company manages its capital structure and makes adjustments to it in the light of changes in economics conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end

The Company is obliged to keep its equity up to 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania.
Moreover the Company has externally imposed capital requirements from the banks. They require that equity/assets ratio is not less than 30 %. The management monitors that the Company is in line with the requirement. No other capital management tools are used.

26 Commitments and contingencies

Capital commitments

As at 31 December 2009, capital expenditure contracted for at the balance sheet date but not recognised in the financial statements amounts to LTL 18 457 thousand (LTL 32 442 thousand as of 31 December 2008).

Buyout of electricity facilities

According to Order No 4-450 of 3 December 2003 of the Minister of Economy, as amended by Order No 4-72 of 15 February 2005, the Company has been granted with the right to buy out from individuals and companies electricity distribution equipment jointly used by them and the Company. The Company can buy out those equipment in one of the following ways: either by transferring its newly issued shares to the owners of those equipment, the issue price of which should be paid by way of contributions in kind (i.e. electricity equipment under common use), or by signing agreements on sale-purchase of electricity equipment under common use (cash payments).

Under Order No.1-243 of 9 December 2009 of the Minister of Energy, a new version of the Rules on the buyout and maintenance of jointly used electricity equipment designated for the transmission and/or distribution of electricity that was installed with the use of the funds of consumers (natural and legal persons) prior to the effective date of the Lithuanian Law on Energy was adopted which became effective from 1 January 2010.

Under the new rules adopted, the deadline for the submission of requests to buy out electricity distribution equipment was extended until 31 December 2010 (not applicable in respect of homestead cooperatives). Furthermore, the new rules require that in case requests to buyout jointly used electricity equipment are not received by 31 December 2010, energy companies shall present proposals to owners of jointly used electricity equipment regarding the buyout of their networks, provided that owners are known, not later than by 1 April 2011.

According to Resolution No. 1281 of 5 December 2007 of the Government of the Republic of Lithuania, the following deadlines for the submission of documents by homestead cooperatives were established:

Applications to energy companies with the requests to buyout equipment had to be submitted by 1 July 2009;
Documents supporting the ownership right of equipment to be bought out, provided that they were not submitted together with the application to buyout equipment, had to be submitted by 31 December 2009.

Currently, following the principles of the new procedure the Company reviews applications, assesses the reasonability of amounts requested to be paid and carries out the buyout of electricity equipment by making only cash payments.

(all amounts are in LTL '000 unless otherwise stated)

27 Cash generated from operations

When calculating cash flows from operations, the following main non-cash transactions were eliminated:

In 2008

Income tax was set-off with VAT prepayment, reducing the income tax payable by LTL 8 000 thousand.

In 2009

No non-cash transactions have occurred.

28 Related party transactions

Transactions with Company's key management

In 2009 the Comapny's key management was 4 managers, 2 of which were members of the Board at the year-end and remaining 3 members of the Board (In 2008 5 managers, 4 of which were members of the Board). In 2009 total remuneration of the Company's key management amounted to LTL 1 687 thousand (in 2008 – LTL 1 660 thousand). The management of the Company did not receive any loans, guarantees or property transfers were made. In August termination benefits of LTL 596 thousand were calculated and paid to former managers of the Company.

Transactions with other related parties

Till 27 May 2008 other related parties were the entities controlled by shareholders of UAB NDX Energija.

(I) Sales of services (excl. VAT):

	January - May 2008
Maxima LT, UAB	6 830
Akropolis, UAB	5 140
UAB Eurovaistinė	61
UAB NDX Energija	28
UAB Tikras Kelias	118
	12 177

(II) Purchase of goods and services (excl. VAT):

	January - May 2008
UAB NDX energija – consultation services	40
Maxima LT, UAB – gift vouchers and food products	2
UADBB CITO draudimas – insurance services	-
	42

After 27 May 2008 other related parties are the entities controlled by shareholders of LEO LT, AB and institutions controlled by the Ministry of Economy and Energy of the Republic of Lithuania.

The major related party sale and purchase transactions in 2009 and 2008 represent transactions with VĮ Ignalinos Atominė Elektrinė (state company Ignalina Nuclear Power Plant), Lietuvoa Energija AB and Lietuvos Elektrinė AB (Lithuanian Power Plant) - main companies controlled by the Ministry of Energy.

Transactions with state entities other than those controlled by the Ministry of the Energy include regular business transactions conducted at arm's length basis and are not disclosed in the tables above.

Transactions with other related parties after 27 May 2008 are presented below:

(I) Sales of services (excl. VAT):

	2009	2008
AB Lietuvos Energija	20 753	5 199
UAB Kauno Energetikos Remontas	253	143
Public Institution Centre of Training for Energy Specialists - services	3	-
State Non-food Products Inspectorate under the Ministry of Economy	-	15
Kaunas Territorial Statistics Board	-	4
Klaipėda Territorial Statistics Board	-	2
AB Kauno Hidroelektrinė	-	2
AB LEO LT (interest on loan granted)	96	-
	21 105	**5 365**

(all amounts are in LTL '000 unless otherwise stated)

28 Related party transactions (cont'd)

(II) Purchase of goods and services (excl. VAT):

	2009	2008
AB Lietuvos elektrinė	14 675	
AB Lietuvos Energija - electricity	515 107	322 081
Ignalina Nuclear Power Plant - electricity	126 280	81 085
LEO LT, AB - consulting services	1 072	580
UAB Elektros Tinklo Paslaugos - works	304	170
UAB Rytų skirstomieji tinklai	54	-
Public Institution Centre of Training for Energy Specialists - services	73	12
UAB Elektros Pajėgos - works	30	1
Kaunas Territorial Statistics Board - services	-	220
Klaipėda Territorial Statistics Board - services	-	191
UAB Kauno Energetikos Remontas - works	-	46
UAB Elektros Pajėgos - works	-	1
Šiauliai Territorial Statistics Board - services	-	1
	657 595	**404 388**

(III) Payables and advances received:

	2009	2008
AB Lietuvos elektrinė	1 730	-
Ignalina Nuclear Power Plant - electricity	10 165	-
AB Lietuvos Energija	57 621	46 326
UAB Energetikos pajėgos	36	-
VšĮ Respublikinis energetikų mokymo centras	20	-
UAB Elektros Tinklo Paslaugos	-	29
LEO LT, AB	362	684
	69 934	**47 039**

(IV) Receivables:

	2009	2008
VšĮ Respublikinis energetikų mokymo centras	1	-
AB LEO LT (loan granted)	31 000	-
AB Lietuvos Energija	3 014	1 736
Ignalina Nuclear Power Plant	-	5 474
UAB Gotlitas	-	3
UAB Kauno Energetikos Remontas	30	24
	34 045	**7 237**

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2009 and 2008, the Company has not made any provision for doubtful debts relating to amounts owned by related parties as all the assets are not overdue. This doubtful debts assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

29 Subsequent events

On 4 January 2010, an extraordinary general meeting of shareholders of AB VST was convened where it was decided to reorganise AB VST and AB Rytų skirstomieji tinklai by way of merger.

On 6 January 2010, LEO LT, AB (ultimate controling parent) made a public statement that a decision passed by the sole shareholder of LEO LT, AB (the Government of the Republic of Lithuania) on 30 December 2009 regarding the liquidation of LEO LT, AB came into force on 31 December 2009.

On 13 January 2010, the Lithuanian Ministry of Energy made a public statement that Lithuania based Ernst&Young Baltic, a member firm of the international audit and consulting organisation Ernst&Young, was awarded the tender for the development of a strategy for the merger of AB Rytų skirstomieji tinklai and AB VST and a detailed action paln.

VST

KAD GYVENTI BŪTŲ ŠVIESIAU

VST, AB
A N N U A L   R E P O R T
2009

BUSINESS PHILOSOPHY

MISSION

We are working to ensure the supply of electric energy in western Lithuania.

VISION OF 2010

We are seeking to become the best provider of regulated services in Lithuania.

VALUES

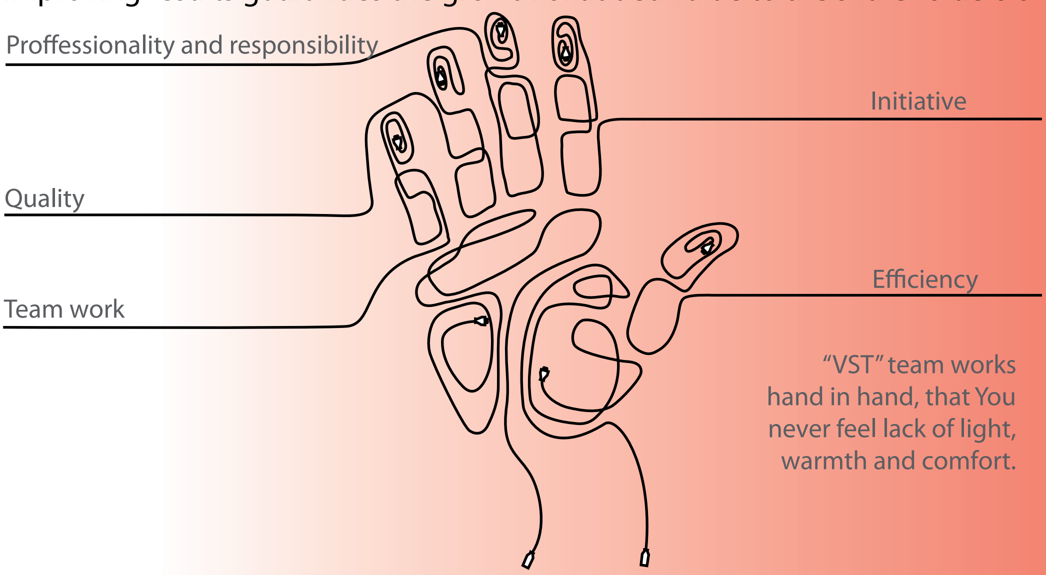
PROFFESSIONALITY AND RESPONSIBILITY:
We keep improving and are open for new things. We leave no space for mediocrity and negligence. Our priority is the capability to see several steps ahead and the wish to become the best. Relationship with the customer, the society and the colleagues is based on responsibility, mutual trust and understanding.

QUALITY:
We guaranty safe and reliable exploitation of the electric power network, supply and distribution of electric power. We aim to turn our work into the best business practice and the services we provide to be of the top quality. We are open for criticism; we see our mistakes and take lessons from them. We aim for qualitative and effective service for our internal and external customers. Our clients and partners are the main valuators of our activity and provided services.

TEAM WORK:
We are a team. Working as a team we reach our goal faster. While sharing our knowledge and experience we can overcome problems, meet challenges and find the best solutions. Aiming for the good result of our work we are aware of our function and responsibility. While working together we aim to be reliable and support each other.

INITIATIVE:
We are ready for new challenges, active and look for problem solution ways. We encourage creativity and always implement the best ideas.

EFFICIENCY:
We seek for the efficiency of the operation individually and all together. Directed orientation toward the result lets us reach the set goals. Work of every one of us is important and it adds to the value to the company's operation. The stability and reliability of the company as well as open and clear operation of it and improving results guaranties the growth of added value to the shareholders of the company.



"VST" team works
hand in hand, that You
never feel lack of light,
warmth and comfort.

Contents

GENERAL INFORMATION ABOT THE ISSUER

Accounting period covered by the Annual Report

This Annual Report of VST, AB (hereinafter referred to as the „Company“) covers the financial year 2009.

Key data on the Issuer:

Name of the company:	VST, AB
Registered office address:	J. Jasinskio str. 16C, LT-01112, Vilnius
Telephone:	(8~5) 278 12 59
Fax:	(8~5) 278 12 69
E-mail adrdress:	vst@vst.lt
Website:	www.vst.lt
Share capital:	111 539 940 LTL
Legal-organizational form:	Legal body, joint stock company
Registration with the Register of Enterprises:	
- registration date and place:	31 December 2001, Ministry of the Economy
- register No.:	110870748
- former No.:	1087074
Registrant of the Register of legal bodies:	State Enterprise Centre of Registers

Nature of the main activity

VST, AB is the owner of electric power distribution network (medium and low voltage power lines, transformer substations and other electricity distribution equipment). The main activity of the Company is the distribution of electricity through medium and low voltage power networks and supply of electric power to its consumers in Kaunas, Klaipėda and Šiauliai regions of Lithuania. It is responsible for the security, reliable performance, maintenance, management and development of these networks.

Agreements with intermediaries of public trading in securities

VST, AB and Swedbank, AB (as of the agreement date - AB bank Hansabankas) have entered into an agreement on accounting for securities issued by the Company and management of personal securities accounts. Contact details of Swedbank, AB:
Konstitucijos ave. 20A, LT-03502 Vilnius
Tel. 1884, (8-5) 268 4444, fax (8 5) 258 2700

Data about securities traded on regulated market

Ordinary registered shares of VST, AB (3,717,998, total par value LTL 111,539,940) are listed on the Secondary list of NASDAQ OMX Vilnius stock exchange (code: VST1L). Shares of the VST, AB are not included into other lists of stock exchanges.

ISIN code	Trading list	Number of shares	Par value per share, LTL	Total par value, LTL
LT0000126377	BALTIC I-LIST	3,717,998	30	111,539,940

Information about branches of the Company

The Company had no branches or representative offices in 2009.

OVERVIEW OF OPERATIONS. MATERIAL EVENTS IN THE ACCOUNTING PERIOD

Material events in the accounting period

On 5 August 2009, Aidas Ignatavičius, Lina Minderienė and Gytis Kundrotas resigned from their positions as members of the Board by mutual agreement of the parties (their authorisations expired on 19 August 2009). Aidas Ignatavičius also resigned from his position of the CEO of VST, AB. He was replaced by Vytautas Kazimieras Aranauskas, who worked in this position from 5 August 2009 till 31 December 2009. On 1 January 2010, a new CEO of the Company – Rimantas Vaitkus - was appointed.

An extraordinary meeting of shareholders of VST, AB held on 8 September 2009 resolved to elect Vytautas Kazimieras Aranauskas, Henrikas Bernatavičius and Vytautas Vazalinskas to the Board of the Company. Rytis Borkys has remained in the new Board as a member of the previous Board. At its meeting of 10 September 2009, the Board elected Henrikas Bernatavičius Chairman of the Board. An extraordinary meeting of shareholders of the Company held on 23 October 2009 resolved to elect Arvydas Tarasevičius to the Board as its fifth member for the remaining term of office of the current Board.

On 4 December 2009, the Government of the Republic of Lithuania and NDX Energija UAB concluded an agreement on the winding up of LEO LT, AB and the cancellation of agreements establishing the national investor, upon which the Government of the Republic of Lithuania became the sole shareholder of LEO LT, AB. 98.2% of the shares in VST, AB are controlled by LEO LT, AB.

Investments

In 2009 investments made by the Company totalled 115.1 million LTL. The largest part of the investments was earmarked for the improvement of quality of services provided by VST, AB: LTL 21.2 million was invested in the 110/35 kV grid, LTL 73.9 million – in the maintenance of the low-voltage grid and connection of new customers to the distribution equipment, LTL 4.4 million – in the implementation of communication and control systems and electricity metering equipment.

LTL 38.3 milion was invested in the Klaipėda region in 2009. Reconstruction of the Tauralaukio transformer substation (TS) (project value LTL 3.2 million) and the Šilutė 110/35/10 kV TS (project value LTL 13.3 million) were completed in this region.

In 2009 investments amounted to LTL 29.2 million in the Šiauliai region. The reconstruction of the Naujoji Akmenė 110/10 kV TS (LTL project value LTL 8.5 million) was completed and power transformers at the Dainų 110/10 kV TS (project value about LTL 4.2 million) was changed.

In 2009, investments in the Kaunas region totalled LTL 48.6 million. Construction of the cable lines in the Nemunas 110/10 kV TS was completed (project value LTL 6.6 million) and the reconstruction of the Centro and Raudondvario 35/10 kV TS (project value LTL 8.2 million and LTL 3.6 million respectively) were completed. Investments were also made in the reconstruction of the Garliava 110/10 kV TS: two power transformers, a 10 kV switchboard, 10 kV grid compensation equipment and an oil spillage collector were installed (project value LTL 7.1 million).

Customer service quality

Consistent improvement of the customer service culture and the quality of service are the priority objectives pursued by the Company.

With the aim to ensure high quality of service, for the fourth year in succession the Company takes part in the project „March – the Month of Quality of Service“. During the campaign the customers were afforded the opportunity to assess performance of the Company’s specialists and to express their comments, appreciation and proposals.

A Secret Customer survey was carried out through visits to customer service centres or phone calls in order to learn how customers are being served.

In 2009, three customer service centres with the central service provision system - in Radviliškis, Jonava and Šilutė underwent modernisation.

Support projects and cooperation

In 2009 the Company has provided support for innovative educational, cultural and scientific projects and for the most vulnerable members of the society.

For a third year in a row the Company organised an educational campaign for children „Electricity as a Friend but Not a Playmate" aimed at teaching children how to deal with electricity safely. In 2009, the campaign covered 60 schools of Western Lithuania and approximately 20,000 primary school pupils.

VST, AB has been acting as a sponsor of social projects, city festivals, cultural and sports events as well as of academic youth. In 2009 the support funds were allotted to:

- *Healthcare establishments.* Repairs of the Paediatric Intensive Therapy Department of the Clinics of the Kaunas University of Medicine, purchase of computer equipment for the Centre for Family Medicine of the Santariškių Clinics of the Vilnius University Hospital.
- *City festivities and cultural events.* Tauragė town festival; Plungė town festival and the 11th international festival of wind instrument orchestras; Festival of Songs of Skuodas district; Midsummer Day festival organised by the Jonava District Municipality Centre of Culture; Christmas Tree festivities in Tauragė and Petrašiūnai.
- Jurbarkas Social Care Centre for the organisation of Easter Festival for disabled children and children from families of the risk group, Prienai community project "On both sides of the Nemunas" – Dvariukas Festival; Judrėnai Steponas Darius community in Klaipėda District for the historical date commemoration festival and preservation of Dariškės; 29th traditional art festival organised by the Kelmė centre of culture;
- *Festivals:* 9th traditional bard sons festival "Akacijų Alėja"; Skaudvilė music bands festival "Alio, talentai iš provincijos"; Žagarės Vyšnių festival; and cultural tourism festival and "Panemunės žiedai – 2009" festivals in Jurbarkas.
- *Support funds were also allotted to:* Kaunas University of Technology, the Club of Signatories of the Lithuania's Independence Deed; restoration of the historical Oginskiai wind farm; reception organised at the World Regatta of Sailing Ships "The Tall Ships' Races Baltic 2009"; publication of photographer's Jonas Strazdauskas book about the Mažeikiai District "Miestas Ventos vingyje"; Radviliškis District Council for the creation and installation of wooden sculptures; the Lithuanian Federation of Orientation Sport, and the M.K. Čiurlionis Culture and Support Foundation.

VST, AB maintains cooperation ties with the academic community. For six years already the Company has been awarding nominal grants to the best students of the Faculty of Electrical and Control Engineering at the Kaunas University of Technology. The amount allotted for the grants during six years totals LTL 180,000.

Environmental Protection

In order to preserve the abundant population of white storks in Lithuania, Lithuanian energy companies, jointly with the Ministry of Environment and the Institute for Ecology, are seeking an effective method to protect the storks' hatching places. In 2009 the Company organised a campaign entitled „Protected Home" involving an exhibition of photographs of storks taken by 26 photography artists, which travelled across Western Lithuania. The purpose of the campaign was to draw attention on the white storks as a national value.

The company continues its campaign for the preservation of stork nests. In 2009, over 600 nests were raised by the VST's specialists on utility poles. VST, AB has been doing this work for the fifth year in succession. In 2009 the Company received an award from the Ministry of Environment on the occasion of the World Environmental Protection Day.

Storm water and oil collection facilities preventing pollution of the environment are installed in the transformer substations under renovation.

Employees of VST, AB are not indifferent to the environmental protection. In 2009, a social campaign entitled „To Bring More Light Into Life" was organised, during which VST's employees were involved in environmental clean up works.

ANALYSIS OF PERFORMANCE RESULTS

Net profit of the Company totalled LTL 4.6 million in 2009.

Income

In 2009 the Company's income from sales, services and other income totalled LTL 1,133.6 million including income from sales and services LTL 1,129.6 million and income from other operations - LTL 4 million.

Income from sales and services decreased 2.6% compared with 2008. The decrease has been influenced by the reduction in sales volumes. In 2009, the Company sold 3 757 million kWh of electric power to its customers (6.5% lower compared with 2008 when sales amounted to 4,020 million kWh. Income from electric power accounted for the largest share of this type of income.

Income, LTL million	2009	2008	Change,%
Income from electric power	1107.3	1137.6	-2.7
Income from reactive energy sales	13.8	15.6	-11.5
Income from connection of new customers	8.5	6.6	28.8
Other operating income	4.0	4.4	-9.1
Total:	**1133.6**	**1164.2**	**-2.6**

Income earned from financial activities in 2009 amounted to LTL 4.5 million (2008: LTL 16.2 million). Such decrease has resulted from the falling market interest rates.

Costs

Operating costs of the Company totalled LTL 1,136.2 million in 2009 (2008: LTL 1,118.9 million).

Just as in 2008, electricity purchase and transmission costs accounted for the largest share of the operating costs (60.2 %), with the remaining part consisting of the relatively fixed costs of repairs, personnel costs etc.

There has been a 1% increase in the electricity purchase costs compared with 2008, amounting to LTL 683.5 million in 2009. The costs have increased due to the rising electricity purchase price.

Wage and social security, repair and maintenance, utilities, communication costs and other operating costs of the Company totalled LTL 127.1 million in 2009 (-11% compared with 2008 (LTL 142.8 million)).

Operating costs, LTL million	2009	2008	Change,%
Purchases of electric power	683.5	677.0	1.0
Depreciation and amortisation	268.6	274.2	-2.0
Wages and social insurance	72.4	71.2	1.7
Repairs and maintenance (including spare parts and other supplies)	29.8	38.1	-21.8
Utilities and communication services	6.8	6.7	1.5
Other costs	75.1	51.7	45.3
Total:	**1,136.2**	**1,118.9**	**1.5**

Financial costs totalled LTL 15.8 million in 2009 (2008: LTL 32.9 million).

Non-current assets

As a result of decrease in the accounting value of non-current tangible assets plus depreciation and amortisation, the value of non-current assets decreased by 15.4% during 2009 and totalled LTL 2,410.2 as of the year end.

Investments

LTL 115.1 million was invested in the development and maintenance of electric power grids and other non-current assets in 2009 (2008: LTL 144.4 million).

7,600 new customers were connected during 2009 (118 MW), which is 39.2% less than in 2008 when the number of newly connected consumers reached 12,500 (167 MW).

Current assets

Accounting value of current assets increased to LTL 220,5 million (2008: LTL 123.8 million). Trade debtors and other accounts receivable accounted for the largest share of current assets, i. e. 56.5%.

Current assets as of year end, LTL million	2009	2008	Change,%
Inventories	9.4	11.2	-16
Trade debtors and other receivables	124.8	95.1	31
Prepayments, future period costs and accrued income	11.3	11.3	0
Cash and cash equivalents	75	6.2	1110
Total	**220.5**	**123.8**	**78**

Loans

The Company has not entered into any new loan agreements in the accounting period. During 2009, the Company's financial debts were reduced by 17.8% and amounted to LTL 488.9 million as of the end of 2009, including long-term debts LTL 386.1 million and short-term debts LTL 102.8 million. All the financial debts are bank loans (the Company's financial liabilities to banks as of the end of 2009 and 2008 are presented in the table below).

Creditor	Currency	Book value (31-12-2008) LTL million	Repayments, LTL m	Book value (31-12-2009) LTL million
Swedbank AB	EUR	101.2	15.5	85.7
Nordea Bank Finland Plc Lithuanian Branch	EUR	93.6	16.3	77.3
Nordea Bank Finland Plc Lithuanian Branch	EUR	182.2	42.9	139.3
AB SEB Bankas	EUR	101.1	15.5	85.6
Danske Bank A/S Lithuanian Branch	EUR	113.7	12.7	101
Swedbank, AB	LT	0.06	0.06	0
AB SEB Bankas overdraft agreement	LT	2.94	2.94	0
Total:		**594.8**	**105.9**	**488.9**

The Company has concluded an agreement for a LTL 35.4 million overdraft with AB SEB Bankas. This facility remained unused as of the end of 2009.

References and additional explanations of disclosures in the annual financial statements

Other information is presented in the Explanatory Notes to the Audited Financial Statements of VST, AB for 2009.

RISKS AND RISK MANAGEMENT

Political risks:

The electrical power distribution and supply activities are regulated by Law on Electricity of the Republic of Lithuania. Amendments to this law and other related legislation may have an impact upon the Company's operations and results.

Governmental policy toward electricity prices is also of importance. Service prices are regulated, with the ceilings set and controlled by the National Control Commission for Prices and Energy. Therefore, the pricing applied by the Company is not sufficiently flexible. The Company's performance results may depend upon such regulatory decisions.

Economic risks:

The Company's income and profit from the power transmission and supply operations directly depend on the transmission/consumption volumes. As the demand for electric power as the absolute necessity commodity/service is strongly interlinked with the overall economic situation of a country, the deteriorating economic position of Lithuania can be identified as the key economic risk. In addition to reducing the power transmission and sales volumes, this could have a negative impact upon customers' solvency and increase the probability of commercial losses (theft). Since the beginning of 2010, liberalisation of the electricity market has started and customers have started actively using the opportunity to choose an independent supplier. As a result of this the Company will experience loss of part of its income from supply operations.

Another key risk is related to the market price for electricity generation/import, which has a direct effect on the cost of electricity. The latter is influenced both by domestic and neighbouring countries' supply and demand factors as well as political decisions. Any increase in the electricity cost poses considerable risk because the public supply price is regulated and fixed irrespective of the electricity price prevailing in the market.

Technological risks:

In order to enhance quality and reliability of the energy supply, the Company earmarks the largest part of its investments for the reconstruction of distribution grids and transformer substations and for the installation of state-of-the-art equipment meeting the modern quality standards, and seeks technological solutions that would ensure continuous control over the condition of distribution networks, effective elimination of problems, and prevention of disruptions in the electric power supply. In 2009, full reconstruction of 3 TS and partial reconstruction of 9 TS was completed; 420 m of lines were built and/or reconstructed.

Environmental risks:

VST, AB is an electric power supply and distribution company. As distinct from power generation plants, the levels of environmental pollution caused by it are low. The probability of imposition of restrictions on or suspension of the Issuer's operations is low.

The Company applies the following preventive and pollution-limiting measures:

- Technical condition of equipment in which substances dangerous to the environment are used is checked on a periodic basis. The Company avoids using such substances and equipment and selects safer ones.
- Waste generated by the Company is recorded in waste accounting registers maintained by the unit generating the waste. Hazardous wastes are sorted and stored in separate containers and handed over to waste disposal companies.
- Transformer oil is stored in double-walled underground reservoirs fully meeting the set safety requirements. Surface wastewater from the oil storage facility are diverted to the wastewater treatment plant located at the transformer storage sites.
- Oil traps are used in TS for the removal of surface wastewater; clean wastewater is diverted to sewerage, while any wastewater containing oil – to the wastewater treatment plant.

Management of financial risks

Detailed information on financial risks and management thereof is presented in item 25 of the Explanatory Notes to the Audited Financial Statements of VST, AB for 2009.

Internal control system

The Company has the Internal Control Department reporting directly to the CEO. The main task of the department is to identify potential threats to the Company's assets and employees as well as persons that potentially may take actions detrimental to the Company's interests. Functions performed by the Internal Control Department:

- analyse activities of the Company's employees and purposefulness thereof and potential cases of corruption and abuse of authority;
- carry out assignments given by the Company's management in the areas of control over power supply and customer service;
- check the technical condition of electricity metering equipment and carry out special checks to determine electricity thefts within the area of operation of VST;
- check the customer service work performed by the regional units' staff, participate in the investigation of complaints and claims, assist the staff in analysing and eliminating weaknesses in their work;
- conduct audit of projects including investment, reconstruction and new customer connection projects;
- collaborate with law enforcement bodies in determining persons guilty of electricity, cables or transformer oil thefts and in preventing loss of the Company's assets;
- perform tasks related to the physical and technical safety of the Company and supervision over information safety within the scope of its competence;
- select, accumulate and analyse information related to the Department's functions and carry out other instructions given by the Company's management.

OPERATING PLANS AND OUTLOOK

In 2010 the Company will continue consistent investments in the distribution grid, to carry out reconstruction and modernisation of outdated transformer substations, and to install modern, ecologically clean equipment meeting the highest quality standards in the TSs. The Company intends to further enhance the quality of customer service as well. Work is to be continued in 2010 to secure the quality and reliability of the electric power supplied. The Company seeks to cut the costs of energy for its own needs and to reduce the rates of transformer oil and cable thefts.

The amount of investments planned for 2010 is larger than that in the previous year.

OTHER INFORMATION ABOUT THE ISSUER

Share capital structure

There have been no changes in the Company's share capital in the accounting period and the share capital amounted to LTL 111,539,940 (registration date 26 April 2005).

Type of shares	Number of shares	Par value, LTL	Total par value, LTL	Part inthe share capital, %
Ordinary registered shares	3,717,998	30	111,539,940	100
Total	3,717,998	-	111,539,940	100

All shares of the Company are fully paid.

Total number of shares acquired and the number and par value of own shares. Own shares as a percentage of the share capital

VST, AB had no own shares prior to the accounting period and did not acquire any own shares in 2009.

The number of acquired and transferred own shares during the reporting period, their nominal value and the part of the share capital represented by such shares

The Company did not acquire or transfer its own shares in 2009.

Information on payment for own shares if these shares were acquired or transferred with charge

The Company did not acquire or transfer its own shares in 2009.

Reasons for acquisition of own shares in the accounting period

The Company did not acquire its own shares in 2009.

Subsidiaries of the company, share purchase or sale

The Company holds no shares in other companies. No transactions on purchase or sale of shares in other companies were concluded in 2009.

Restrictions on transfer of securities
No restrictions on the transfer of securities are known to the Company.

Shareholders
The number of shareholders in 31 December of 2009, was 3,825.

Majority shareholders holding or controlling over 5% of the share capital of the Issuer

Full names of the shareholders (names of companies, types, headquarter addresses, companies' register code)	Numbers of ordinary registered shares, pcs.		Part of the share capital and votes, percent		
	total	Including shares owned by the shareholders under the ownership right	total	Including shares owned by the shareholders under the ownership right	Together with persons acting in corporate, percent
LEO LT, AB Žvejų str. 14A, LT-09310 Vilnius, code 301732248	3,651,524	3,651,524	98.2	98.2	-

Shareholders having special control rights and description of such rights
Neither of the Company's shareholders has any special control rights. All the shareholders of the Company have equal rights (property and non-property rights) as provided for in the Republic of Lithuania Law on Companies and the Articles of Association of the Company.

Restrictions on voting rights
No restrictions on voting rights are known to the Company.

Agreements between the shareholders which are known to the Issuer and due to which the securities transfer and/or voting rights may be subject to limitations
No agreements between the Company's shareholders due to which the securities transfer and/or voting rights may be subject to limitations are known to the Company.

Information on significant shareholdings controlled directly or indirectly
There are no significant shareholdings either directly or indirectly controlled.

Personnel

In 2009 the average number of employees of VST, AB was 1,846 (-0.43% compared with 2008 (1,855)). The number of managerial personnel and specialists was 1,042, blue-collar workers 805.

Structure of the Company's personnel according to educational attainment: university education – 32.5%, higher non-university, special secondary, technical or vocational education – 50.5%, secondary or lower – 13.7%.

The average monthly pay at the Company amounted to LTL 2,505 in 2009 (2.83% higher compared with 2008). In 2008, the increase in pay was 22.2%, in 2007 – 12%. The average monthly pay of blue-collar workers was LTL 2,187, managers and specialists – LTL 2,649.

In 2009 the Company continued the implementation of an annual performance evaluation system. Development of the employees' professionalism and loyalty is important to the Company. A studies' financing system under which academic studies in electrical engineering are partially financed is in place at the Company.

The Company maintains close cooperation ties with educational establishments and is ready to accept students for vocational practice periods; in 2009, 81 student worked in the Company on this basis. In 2008 and 2007, over 100 students had the opportunity to develop their skills at the Company. Most students (approx. 90%) are admitted to the units directly engaged in the core activities – power distribution and supply. Students are admitted from the Kaunas University of Technology, Šiauliai College, Kaunas Technical College, Šiauliai University, Žemaitija College etc.

Trade unions of the Company and the employer's representatives have concluded a collective agreement. The purpose of collective agreement is to ensure efficient work at the Company and represent all the Company's employees. It stipulates the conditions of work, terms of payment for work, social and professional terms and guarantees. As provided for in the collective agreement, an annual conference of employees' representatives was organised to discuss the process of execution of the agreement. The employees' representatives recognised that the employer fulfils the provisions of the agreement.

The Company supports cultural and sports activities organised by the trade unions. In 2009, LTL 17,000 was allotted to the trade unions (2008 – LTL 21,000, 2007 – LTL 17 000).

The Company pursues a consistent human resources policy aimed at achievement of strategic aims. The tasks of the human resources policy include the development of the employees' capabilities conducive to the achievement of strategic aims of the Company and the formation of organisational culture ensuring greater value to customers and partners.

In the accounting year, the Company invested approximately LTL 407,000 in the training and skills improvement of its employees. In all, 1,100 employees, or 60% of all employees, participated in the training events (2008 – 69%, 2007 – 29%). 68% of all training events were held at licensed training establishments.

The main lines of training have remained the same in 2009: development of leadership skills, vocational and skills improvement training. All the managers and deputy managers took part in the consistent leadership training cycle. In 2009, the range of participants was extended including line managers. The aspects of situational management, educational management etc. were emphasised in the leadership training cycle in 2009.

Just as in previous years, the Company devotes considerable attention to the improvement of the employees' professional skills. Professional training intended for acquiring or improving specific qualifications or for acquiring skills to safely perform dangerous and potentially dangerous works was held. The lines of professional training were very similar to those pursued in previous years. Main professions represented at those training events included logging workers, crane works managers, high-rise workers, high-rise works managers, welders, workers in cradles of hoisting equipment, operators of self-propelled hoists, and construction superintendents.

In addition, different qualifications courses were organised to meet specific business needs, e. g. the employees participated in conferences in Lithuania and abroad depending on the area of work.

Procedure for the amendments to the Articles of Association of the Company

According to the Articles of Association of VST, AB, the Articles of Association are subject to amendment by decision of the general meeting of shareholders and the amendments take effect upon registration in the Legal Persons Register. Latest amendments to the Articles of Association were made on 7 January 2010. The Articles of Association are available in www.vst.lt, in the „About the Company“ section.

Rules governing the appointment and replacement of the Issuer's management bodies and authority thereof

According to the latest edition of the Articles of Association (7 January 2010), the Board of the Company consists of 5 members. The members of the Board are elected by the general meeting of shareholders for a term of office of four years. The scope of competence of the members of the Board and the procedures for the adoption of decisions and election and recalling of the members are established in the laws and regulations, the Articles of Association of the Company, and the job regulations approved by the Board.

The General Manager is elected and recalled by the Board. The scope of competence of the General Manager and the procedures for election and recalling are established in the laws and regulations and the Articles of Association of the Company.

Scope of competence of the general meeting of shareholders, rights of the shareholders and exercise thereof

The scope of competence of the general meeting of shareholders and the rights of the shareholders and exercise thereof are established in the laws and regulations and the Articles of Association of the Company.

No shareholder of the Company has any special control rights and all the shareholders have equal rights. All the shareholders have equal property and non-property rights according to the laws and regulations and the Articles of Association of the Company.

Management bodies of the Company create proper conditions for the exercise of the rights of the shareholders.

Members of management bodies

The Board and the General Manager (CEO) are the management bodies of the Company.

The Board from 26-10-2007 till 08-09-2009

Name	Position	Share of capital held, %	Share of votes, %.
Aidas Ignatavičius	Chairman	-	-
Rytis Borkys	member	0.00016%	0.00016%
Gytis Kundrotas	member	-	-
Lina Minderienė	member	-	-

The Board from 08-09-2009 till 23-10-2009

Name	Position	Share of capital held, %	Share of votes, %.
Henrikas Bernatavičius	Chairman	-	-
Rytis Borkys	member	0.00016%	0.00016%
Vytautas Kazimieras Aranauskas	member	-	-
Vytautas Vazalinskas	member	-	-

The Board from 23-10-2009 to date (the date of this Report)

Name	Position	Share of capital held, %	Share of votes, %.
Henrikas Bernatavičius	Chairman	-	-
Rytis Borkys	member	0.00016%	0.00016%
Arvydas Tarasevičius	member	-	-
Vytautas Kazimieras Aranauskas	member	-	-
Vytautas Vazalinskas	member	-	-

No Supervisory Board has been formed in the Company.

Administration

Name	Position	Share of capital held, %	Share of votes, %.
Aidas Ignatavičius	Chief Executive Officer (from 6 August 2007 till 5 August 2009)	-	-
Vytautas Kazimieras Aranauskas	Chief Executive Officer (from 5 August 2009 till 31 December 2009)	-	-
Rimantas Vaitkus	Chief Executive Officer (from 1 January 2010 till the date of the Report)	-	-
Rimantas Bartuška	Chief Accountant (from 29 October 2007 till 23 September2009)	-	-
Zina Chmieliauskienė	Chief Accountant (since 20 October 2009)	-	-

Information on participation in the activities of other companies and organisations; shareholdings and votes in other companies exceeding 5% of capital/votes

Name	Name of company/organisation, position	Share of capital held, %	Share of votes, %.
Henrikas Bernatavičius	-	-	-
Rytis Borkys	-	-	-
Arvydas Tarasevičius	-	-	-
Vytautas Kazimieras Aranauskas	-	-	-
Vytautas Vazalinskas	-	-	-
Rimantas Vaitkus	-	-	-
Zina Chmieliauskienė	-	-	-

Information on amounts calculated as payable by the Issuer, other assets distributed or guarantees given to members of management bodies (Board, Administration) in the accounting period

2009	Salary, LTL	Other payments*, LTL	Tantiemes, LTL	Other distributions from profit, LTL
Per member of the board on average	292,339	174,201	-	-
Members of the Board total	877,016	522,603	-	-
Per member of administration on average	217,357	145,174	-	-
Members of the Administration total	434,714	290,348	-	-

* holiday allowance, severance pay.

VST, AB has not transferred its property to members of the management bodies. The Company has taken out insurance of civil liability of members of legal person's management bodies for the members of the Board.

Information on scope of competence of CEO of the Company

The General Manager is a single-handed management body of the Company who is responsible for the implementation of resolutions by the general meeting of shareholders and the Board, analysis, consideration and evaluation of the Company's operations and business environment, planning of and adopting decisions on the Company's operations, concluding transactions on behalf of the Company on single-handed basis, exercising control over the Company's activities and organising routine activities of the Company.

Information on scope of competence of the Board

The Company is directed by the Board. The Board is responsible for the analysis, consideration and evaluation of the Company's operations and business environment, planning of the Company's operations, adopting key decisions on the Company's management and exercising control over the Company's activities.

Agreements between the Issuer and members of its management bodies or employees providing for compensation in case of resignation or dismissal without a valid reason or of termination of work due to changes in the ownership of the Issuer

Agreements governing activities of a member of the Board were concluded with the members elected to the Board by resolution of the general meeting of shareholders of the Company held on 8 July 2008. The agreement provides compensation in case of resignation or dismissal without a valid reason or in case of terminating the Board member's position on other grounds.

No agreements governing activities of a member of the Board were concluded with the members elected to the Board by resolution of the general meeting of shareholders of the Company held on 8 September 2009.

Extraordinary meeting of shareholders of the Company held on 23 October 2009 passed a resolution on abandoning the practice of concluding agreements governing activities of a member of the Board. Since 23 October 2009, the Company has not entered into any agreements on members of management bodies or employees, providing for payment of additional compensations not provided for in legal acts in case of resignation or dismissal without a valid reason or in case of terminating the Board member's position due to changes in ownership of the Issuer.

Information about members of the Board of VST, AB

HENRIKAS BERNATAVIČIUS
Position
Chairman of the Board
In this position since
10 September 2009
Educational attainment
Vilnius Civil Engineering Institute. Construction and road machines and equipment. Degree in mechanical engineering.
Career
Last position – Director, Giritech Baltic UAB

RYTIS BORKYS
Position
Member of the Board, Director of Electric Grid Services
Works with VST, AB
since 17 November 1993
Educational attainment
Higher university. Kaunas University of Technology. Degree in electromechanical engineering
Career
Has been working with the Company since his graduation from the university, starting as electrician, overhead lines electrician, foreman, chief foreman, deputy director, head of department.

ARVYDAS TARASEVIČIUS
Position
Member of the Board
In this position since
13 November 2009
Educational attainment
Higher university. Vilnius University, Faculty of Economics, Degree in Economics and Mathematics. Doctor of Social Sciences
Career
Last position – Director, Vilnius territorial statistics office.

VYTAUTAS VAZALINSKAS
Position
Member of the Board
In this position since
8 September 2009
Educational attainment
Higher university. Vilnius University. Degree in engineering and economics. Doctor of Social Sciences.
Career
Last position – Director, BALTEMPUS UAB

VYTAUTAS KAZIMIERAS ARANAUSKAS
Position
Member of the Board
In this position since
8 September 2009
Educational attainment
Kaunas Polytechnic Institute, Vilnius Branch (currently VGTU). Radio equipment engineering and manufacture. Degree in radio engineering.
Career
Last position – Chief Executive Officer, VST AB.

Significant agreements to which the Issuer is a party and which would take effect or be amended or terminated in case of change in the Issuer's ownership

The Company has not entered into any significant agreements which would take effect or be amended or terminated in case of change in the Issuer's ownership.

Related party transactions

Information on related party transactions is presented in item 28 of the Explanatory Notes to the Audited Financial Statements of VST, AB for 2009.

MATERIAL EVENTS SINCE THE END OF PREVIOUS FINANCIAL YEAR

2010-01-27 Regarding information announced in media
The Lithuanian Ministry of Energy on 26th January 2010 publicly announced that national energy company LEO LT, AB, which received a loan in amount of 192 million from its subsidiaries VST, AB, Rytų skirstomieji tinklai, AB (RST) and Lietuvos energija, AB last December, is going to refund the loan by dividends.
The payment scheme and amount of dividends are not announced.
VST, AB notice, that information about annual financial results and associated decisions will be announced following the requirements determined for disclosure of such information.

2010-01-13 Regarding preparation merger strategy and detailed action plan for VST, AB and RST, AB
The Lithuanian Ministry of Energy on 13th January 2010 publicly announced that International audit and consulting company E&Y Baltic subsidiary of E&Y in Lithuania was selected in public tender to prepare merger strategy and detailed action plan for VST, AB and RST, AB.

2010-01-06 Regarding liquidation of LEO LT, AB
LEO LT, AB, wich owns 3 651 534 shares of VST, AB, on January 6, 2010 announced that on December 31, 2009 a resolution, taken on December 30, 2009 by the sole shareholder of LEO LT, AB the Lithuanian Government to liquidation LEO LT, AB,took force.

2010-01-04 The decisions adopted in the Extraordinary General Shareholders Meeting of VST, AB on January 4, 2010
The Extraordinary General Shareholders Meeting of VST, AB, held on January 4, 2010, adopted the following decisions:
1. The item of agenda: "Regarding the preparation of reorganization conditions for Rytų skirstomieji tinklai AB and VST, AB by the way of merger":
1.1. To assign the preparation of conditions of reorganization of Rytų skirstomieji tinklai, AB and VST, AB by the way of merger to the Management Boards of Rytų skirstomieji tinklai, AB and VST, AB in collaboration with management board of the parent company or person performing duties of the management board."
2. The item of agenda: "Regarding the amendment of the Bylaws of VST, AB"
2.1. To amend the article 63 of the Bylaws of VST, AB and to word it as follows:
„63. Company's notices that according to the laws, other legal acts and/or these bylaws should be published in press, in news paper "Verslo žinios". If there is no possibility to publish Company's notices in newspaper "Verslo žinios", they, according to the laws, other legal acts and/or these bylaws should be published in other newspaper of Lithuanian Republic. Company may publish notices in other ways as well."
2.2. According to the decision mentioned in item 2.1 of this protocol, to approve the new wording of the Bylaws of VST, AB.
2.3. To authorize the Chief Executive Officer of Company to sign the new wording of the Bylaws of the Company set forth by the Law and to perform other necessary actions abiding by the procedure to registry thereof in the Register of Legal Entities under the procedure established by legislation.

PUBLISHED INFORMATION

(all the information is provided in Company's site www.vst.lt)

2009-12-29 Regarding deposition of Chief Executive Officer of VST, AB
The Board of VST, AB on December 28, 2009 adopted a decision to depose from December 31, 2009 Chief Executive Officer of VST, AB Mr. Vytautas Kazimieras Aranauskas. Instead of him, Mr. Rimantas Vaitkus was appointed as new Chief Executive Officer who will assume his responsibilities from January 1, 2010.

2009-12-11 The draft resolutions of the Extraordinary General Shareholders Meeting of VST, AB

According to the decision of the Board of VST, AB the Extraordinary General Shareholders Meeting of VST, AB is called on January 4, 2010 and shall take place at the office of the company J.Jasinskio 16C, Vilnius, 5th floor, at 10.00 AM. The shareholders will be asked to approve the following items:
1. The item of agenda: "Regarding the preparation of reorganization conditions for Rytų skirstomieji tinklai AB and VST, AB by the way of merger":
1.1. To assign the preparation of conditions of reorganization of Rytų skirstomieji tinklai, AB and VST, AB by the way of merger to the Management Boards of Rytų skirstomieji tinklai, AB and VST, AB."
2. The item of agenda: "Regarding the amendment of the Bylaws of VST, AB"
2.1. To amend the article 63 of the Bylaws of VST, AB and to word it as follows:
„63. Company's notices that according to the laws, other legal acts and/or these bylaws should be published in press, in news paper "Lietuvos žinios". If there is no possibility to publish Company's notices in newspaper "Lietuvos žinios", they, according to the laws, other legal acts and/or these bylaws should be published in other newspaper of Lithuanian Republic. Company may publish notices in other ways as well."
2.2. According to the decision mentioned in item 2.1 of this protocol, to approve the new wording of the Bylaws of VST, AB (enclosed).
2.3. To authorize the Chief Executive Officer of Company to sign the new wording of the Bylaws of the Company set forth by the Law and to perform other necessary actions abiding by the procedure to registry thereof in the Register of Legal Entities under the procedure established by legislation.

2009-12-11 The Extraordinary General Meeting of Shareholders of AB "VST" is called on January 4, 2010, 10.00 AM

The Board of AB "VST" on December 11, 2009 adopted a decision to call the Extraordinary General Meeting of Shareholders of AB "VST" and approved the following agenda of the meeting:
1. Regarding the preparation of reorganization conditions for Rytų skirstomieji tinklai AB and VST, AB by the way of merger.
2. Regarding the amendment of the Bylaws of VST, AB

2009-12-04 Regarding the signature of agreement with NDX Energija, UAB

On December 4, 2009 the Lithuanian Government and NDX Energija, UAB signed the agreement regarding liquidation LEO LT, AB and cancellation of agreement for the establishment of national investment company. Regarding this agreement, the Lithuanian Government essentially became the sole shareholder of LEO LT, AB.
LEO LT, AB owns 98,2 percent of VST, AB shares.

2009-12-04 Concerning the loan to LEO LT, AB

VST, AB in accordance with the decision of the Management Board of the company,has granted a loan to LEO LT, AB in amount of LTL 48 million. LEO LT, AB owns 98,2 percent of VST, AB shares.

2009-12-04 Regarding withdrawal a lawsuit against NDX energija, UAB

On December 3, 2009 VST, AB submitted an application to Vilnius Regional Court regarding withdrawal of the lawsuit against NDX energija, UAB for an adjudge of 520 830 706 LT (150 842 998,7 EUR).

2009-11-27 Information regarding electricity prices

The National Control Commission for Prices and Energy during the session held on 26 November, 2009 ratified the pronouncement of VST AB for the electricity and transmission service prices confirmed by the board of VST, AB on the 25 November, 2009 by the protocol number 75/2009.
From 1 January, 2010 VST AB end-user electricity price for the first group users (domestic customers) will increase by 0.09 LTL / kWh (excluding VAT), while for the second and third group users (commercial customers) end-user price for electricity is projected to increase average by 0.05 LTL / kWh(excluding VAT).

2009-11-04 Regarding the information announced on media

On 3 November, 2009 the media has published information about possible merger of VST, AB and "Rytų skirstomieji tinklai", AB.
VST, AB notes, that information about certain merger actions will be announced following the instructions, required for disclosure of such information.

2009-11-04 Preliminary unaudited activity result for the three quarters of 2009
Preliminary unaudited activity result for the three quarters of 2009 of VST, AB is a net loss of LTL 7.3 million (EUR 2.1 million). Throughout the 3rd quarter of 2009 VST, AB the revenue from sales amounted to LTL 245.3 million (EUR 71.0 million) and had a net loss of LTL 2.8 million (EUR 0.8 million).

2009-10-30 Information on the decision of the National Control Commission for Prices and Energy to approve price caps of electricity distribution services
National Control Commission for Prices and Energy during the session held on October 29 made a decision to adjust the distribution services prices caps for VST, AB for the year 2010:
- For distribution via medium voltage networks - 5,32 ct/kWh (1,54 Euro cents/kWh). 2009 - 8,14 ct/kWh (2,36 Euro cents/kWh);
- For distribution via low voltage networks - 6,74 ct/kWh (1,95 Euro cents/kWh). 2009 - 10,23 ct/kW (2,96 Euro cents/kWh).

2009-10-23 The decisions adopted in the Extraordinary General Shareholders Meeting on October 23, 2009
The Extraordinary General Shareholders Meeting of VST, AB, held on October 23, 2009, adopted the following decisions:
1. The item of agenda “Regarding approval of the new wording of the Bylaws of the Company”.
1.1. To approve the new wording of the Bylaws of Company.
1.2. To authorize the Chief Executive Officer of Company to sign the new wording of the Bylaws of the Company set forth by the Law and to perform other necessary actions abiding by the procedure to registry thereof in the Register of Legal Entities under the procedure established by legislation.
2. The item of agenda “Regarding election of the member of the Board of VST, AB“:
2.1. To elect Arvydas Tarasevičius, personal ID <..>, address <..>, to the company's Board until the end of tenure of the current Board.
2.2. To set that the new member of the Board starts his duties from the day when the new wording of the Bylaws of VST, AB are registered in the Register of Legal Entities.
3. The item of agenda “Regarding not signing contracts with the Board of VST, AB“:
3.1. Not to sign any contracts with board members of VST, AB regarding their activities in the Board.
3.2. To terminate terms of agreements regulating Board member activities that were approved on September 8, 2009 during Extraordinary General Shareholders Meeting of VST, AB.

2009-10-09 The draft resolutions of the Extraordinary General Shareholders Meeting of VST, AB
According to the decision of the Board of VST, AB the Extraordinary General Shareholders Meeting of VST, AB is called on October 23, 2009 and shall take place at the office of the company J. Jasinskio 16C, Vilnius, 5th floor, at 10.00 AM. According to LEO LT, AB request, the Board of VST, AB on October 9, 2009 adopted the decision to update the agenda of the Extraordinary General Shareholders Meeting.
The shareholders will be asked to approve the following items:
1. The item of agenda “Regarding approval of the new wording of the Bylaws of the VST, AB”:
1.1. To approve the new wording of the Bylaws of VST, AB.
1.2. To authorize the Chief Executive Officer of VST, AB to sign the new wording of the Bylaws of the company set forth by the Law and to perform other necessary actions abiding by the procedure to registry thereof in the Register of Legal Entities under the procedure established by legislation.
2. The item of agenda “Regarding election of the member of the Board of VST, AB“:
2.1. To elect Arvydas Tarasevičius, personal ID <..>, address <..>, to the company's Board until the end of tenure of the current Board.
2.2. To set that the new member of the Board starts his duties from the day when the new wording of the Bylaws of VST, AB are registered in the Register of Legal Entities.
3.The item of agenda “Regarding not signing contracts with the Board of VST, AB“:
3.1. Not to sign any contracts with board members of VST, AB regarding their activities in the Board.
3.2. To terminate terms of agreements regulating Board member activities that were approved on September 8, 2009 during Extraordinary General Shareholders Meeting of VST, AB.

2009-10-09 Updated agenda of the Extraordinary General Shareholders Meeting of VST, AB which will be held on October 23, 2009
According to LEO LT, AB request, the Board of VST, AB on October 9, 2009 adopted the decision to update the agenda of the Extraordinary General Shareholders Meeting which will be held on October 23, 2009 and approved the following agenda of the meeting:
1. Regarding approval of the new wording of the Bylaws of VST, AB.
2. Regarding election of the member of the Board of VST, AB.
3. Regarding not signing contracts with the Board of VST, AB.

2009-10-08 Regarding the information announced on media
On 7 October, 2009 the media has published information about possible merger of VST, AB and "Rytų skirstomieji tinklai", AB.
VST, AB notes, that information about certain merger actions will be announced following the instructions, required for disclosure of such information.

2009-10-02 Information on the decision of the National Control Commission for Prices and Energy
On October 1, 2009 the decision No. O3-139 of the National Control Commission for Prices and Energy made on September 25, 2009 approving a new edition of Electricity transmission and distribution prices and their caps setting methodology was announced in periodical "Valstybės žinios". The approved methodology is chartered according to Lithuanian Law on Electricity and principles setting the value of assets used in the licensed activity by an electricity utility approved by the Government of the Republic of Lithuania.
2009-09-22 The draft resolutions of the Extraordinary General Shareholders Meeting of VST, AB
According to the decision of the Board of VST, AB the Extraordinary General Shareholders Meeting of VST, AB is called on October 23, 2009 and shall take place at the office of the company J. Jasinskio 16C, Vilnius, 5th floor, at 10.00 AM. The shareholders will be asked to approve the following items:
1.The item of agenda "Regarding approval of the new wording of the Bylaws of the Company".
1.1. To approve the new wording of the Bylaws of Company.
1.2. To authorize the Chief Executive Officer of Company to sign the new wording of the Bylaws of the Company set forth by the Law and to perform other necessary actions abiding by the procedure to registry thereof in the Register of Legal Entities under the procedure established by legislation.

2009-09-22 The Extraordinary General Meeting of Shareholders of VST, AB is called on October 23, 2009, 10.00 AM
The Board of VST,AB on September 21, 2009 adopted a decision to call the Extraordinary General Meeting of Shareholders of VST, AB and approved the following agenda of the meeting:
1. Regarding approval of the new wording of the Bylaws of the Company.

2009-09-10 The decisions of the Board VST, AB
On 10 September 2009 the Board of VST, AB have been appointed Henrikas Bernatavičius to the position of the Chairman of the Board VST, AB.

2009-09-08 The decisions adopted in the Extraordinary General Meeting of the shareholders of VST AB on September 8, 2009
The Extraordinary General shareholders meeting of VST AB, held on September 8, 2009, adopted the following decisions:
1. The item of the agenda "VST AB Board's election":
1.1. To elect the persons listed below to the company's Board until the end of tenure of current Board:
1. Mr. Vytautas Kazimieras Aranauskas;
2. Mr. Henrikas Bernatavičius;
3. Mr. Vytautas Vazalinskas.
1.2. To set that the new members of the Board start their duties from the end from the shareholders meeting that has elected them.
1.3. To approve agreements with VST AB Board members that regulates their activities and to authorize the Chief Executive Officer of LEO LT AB in the name of VST AB sign the contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board.

2009-09-04 Regarding liquidation of national investment company LEO LT, AB
The Extraordinary general shareholders meeting of LEO LT, AB, held on September 4, 2009, adopted the decision for liquidation of the national investment company LEO LT, AB.

2009-08-27 VST AB made a lawsuit against NDX energija UAB
On August 25, 2009 VST AB made a lawsuit to Vilnius Regional Court against NDX energija UAB regarding adjudge 520 830 706 LT (150 842 998,7 EUR). In the lawsuit it is pointed out that in the privatization process of VST AB, NDX energija UAB transferred banks' loan to VST AB, and in this way the essential part of the privatization price of VST AB was paid by VST AB, but not by NDX energija UAB. In this way the acquisition of VST AB was financed by VST AB rather than "NDX energija" UAB. In the opinion of VST AB, it was a violation of the regulations of the Law of Joint Stock Companies and EU Directives that prohibits financing the acquisition of own shares using target company's capital. According to the Laws in force, Court should make the decision regarding the civil claim.

2009-08-20 Regarding Lithuanian Government decree
On August 20, 2009 in publication “Valstybės žinios” has been published the Lithuanian Government decree, authorizing the Ministry of Energy vote for the liquidation of LEO LT, AB at the General shareholders meeting of LEO LT, AB, which will be held on September 4, 2009.

2009-08-18 The draft resolutions of the Extraordinary General Meeting of the shareholders of VST AB.
According to the decision of the Board of VST AB the Extraordinary General Meeting of the shareholders of VST AB is called on September 8, 2009 and shall take place at the office of the company J. Jasinskio 16C, Vilnius, 5th floor, at 10.00 AM. The shareholders will be asked to approve the following items:
1. The item of agenda “VST AB Board's election”:
1.1. To elect the persons listed below to the company's Board until the end of tenure of current Board:
1. [Name, surname / personal code / address];
2. [Name, surname / personal code / address];
3. [Name, surname / personal code / address].
1.2. To set that the new members of the Board start their duties from the day of their election.
1.3. Authorize the Chief Executive Officer of LEO LT AB in the name of VST AB sign the contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board.

2009-08-06 The Extraordinary General Meeting of the Shareholders of VST, AB is called on September 8, 2009, at 10.00 AM
The Board of VST, AB on August 5, 2009 adopted a decision to call the Extraordinary General Meeting of the Shareholders of VST AB and approved the following agenda of the meeting:
1. VST AB Board's election.

2009-08-05 Regarding of resigning from the members of the Board of VST AB
On August 5, 2009 Aidas Ignatavičius, Lina Minderienė and Gytis Kundrotas has decided, by agreement between the parties, to resign from the members of the Board of VST AB. Their authorities will expire on August 19, 2009. Aidas Ignatavičius by agreement between the parties also has resigned from the position of Chief Executive Officer of VST AB. Instead of him, Vytautas Kazimieras Aranauskas was appointed as new Chief Executive Officer who assumed his responsibilities from August 5, 2009.

2009-07-31 Information regarding changes of The Law of Electrical Energy
On July 30, 2009 in "Valstybės žinios" has been published The Law of complement and changes of the articles 42, 44 of the Law of Electrical Energy, which comes into force from August 1, 2009.

2009-07-31 Preliminary non audited activity result for the first six months of 2009 of VST AB
VST AB experienced negative preliminary non audited activity result - 4467 thousand in LTL (1293.7 thousand in EUR) loss in the first half of 2009.

2009-07-31 Regarding signing of legal acts
On July 30, 2009 President of the Republic of Lithuania Dalia Grybauskaitė signed the law on Nuclear Plant and related legal acts regarding further activities of national investment company LEO LT, AB, which owns 98.2 percent of VST AB shares.

2009-06-23 The decisions adopted in the Extraordinary General shareholders meeting of VST AB on June 23, 2009
The Extraordinary General shareholders meeting of VST AB, held on June 23, 2009, adopted the following decisions:
1. The item of agenda “Regarding the approval of the forms of contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board”:
1.1. Approve the forms of contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board.
2. The item of agenda “Regarding the appointment of the person, commissioned to sign the contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board”:
2.1. Authorize the Chief Executive Officer of LEO LT AB in the name of VST AB to sign the contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board.

2009-06-12 Regarding the draft resolutions of the Extraordinary general shareholders meeting of VST AB which will be held on June 23, 2009

According to LEO LT AB request, on the grounds of the decision of the Board of VST AB an extraordinary general shareholders meeting of VST AB is called on June 23, 2009 and shall take place at the office of the company J. Jasinskio 16C, Vilnius, 5th floor, at 10.00 AM. The shareholders will be asked to approve the following items:

1. The item of agenda “Regarding the approval of the forms of contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board”:

1.1. Approve the forms of contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board.

2. The item of agenda “Regarding the appointment of the person, commissioned to sign the contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board”:

2.1. Authorize the Chief Executive Officer of LEO LT AB in the name of VST AB sign the contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board.

2009-06-10 Updated agenda of the Extraordinary general shareholders meeting of VST AB which will be held on June 23, 2009

According to LEO LT AB request, the Board of VST AB on June 10, 2009 adopted the decision to add the second question “Regarding the appointment of the person, commissioned to sign the contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board” to the agenda of the Extraordinary general shareholders meeting which will be held on June 23, 2009 and approved the following agenda of the meeting:

1. Regarding the approval of the forms of contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board.
2. Regarding the appointment of the person, commissioned to sign the contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board.

2009-05-29 Information on the decision of the National Control Commission for Prices and Energy

The National Control Commission for Prices and Energy on 29 May, 2009 has adopted a decision to promulgate electricity power prices, tariffs and their application instruction of VST AB, approved by the decision of the Board of VST
AB on 28 May, 2009 (protocol No. 56/2009). Starting from 1 July, 2009 the price of electricity power for the I (first) group of consumers (domestic) of VST AB will decrease by 2 ct/kWh (including VAT), for the II (second) and the III (third) group of consumers - by 4,2 ct/kWh (excluding VAT). On the average, the price for all consumers will decrease by 4 ct/kWh (including VAT).

2009-05-28 Information on the decision of the Board of VST AB regarding the reduction of distribution service price

The Board of VST AB on May 28, 2009 has adopted a decision regarding the reduction of distribution service price. Starting from 1 July, 2009 the price of distribution service should decrease by 1,43 cents. VST AB found the possibilities to reduce the price of distribution service by reducing expenditure and increasing efficiency of its activity. According to this, VST AB submitted the amended VST AB electricity power prices, tariffs and their application instruction for the National Control Commission for Prices and Energy . End-user prices for the first group of consumers (domestic) will decrease by 2 ct/kWh (including VAT), for the second and the third group of consumers - by 4,2 ct/kWh (excluding VAT). On average, the price for all consumers will decrease by 4 ct/kWh (including VAT). VST AB notes, that information about confirmed particular electricity power prices and tariffs, which will be applied from 1 July, 2009, will be announced in accordance with the instructions, required for disclosure of such information.

2009-05-22 Information on the announcement of LEO LT, AB regarding the possibilities to reduce the electricity power tariffs

On 21 May, 2009 the media has published information, that from 1 July, 2009 electricity power tariffs, for account of national group of energy LEO LT, AB, can be reduced in an amount of 1,67 cents. Due to such reduction, national group of energy LEO LT, AB this year would not earn about 52 mln. LTL of revenue.

AB “VST” notes, that information about confirmed particular electricity power tariffs, also the data about results of companies further activity, will be announced by following the instructions, required for disclosure of such information.

2009-05-21 Information on the announcement of National control commission for prices and energy
In its meeting on 21 May, 2009 National control commission for prices and energy made a decision to reduce the fees charged for the connection of customers' devices to the network. New fees will enter into force from 1 July, 2009.

2009-05-21 The Extraordinary General Meeting of the Shareholders of VST, AB is called on June 23, 2009
According to LEO LT, AB request, the Board of VST AB on May 21, 2009 adopted a decision to call the Extraordinary General Meeting of Shareholders of VST AB. Considering the proposal stated in the request of LEO LT, AB the following agenda of the meeting is approved:
1. Regarding the Approval of the forms of contracts, which are transacted with the Board of VST AB and its Chairman to regulate the activity of the Board.

2009-04-30 Preliminary pre-audit Q1 2009 activity result of VST AB
Preliminary pre-audit Q1 2009 activity result of VST AB is LTL 10.3 million (EUR 3.0 million) net profit. Company sales revenue amounted for LTL 328 million (EUR 95 million) for the first three months of this year. During the first three months of 2009 1.04 billion kWh of electricity were sold to customers. Electricity consumption in distribution network owned by the company during Q1 2009 declined by 5,3 percent, compared to Q1 2008.
Such 1st quarter activity result was due to several main reasons:
-In Q1 2009 actual electricity purchase (production) expenditures were less than average annual electricity purchase (production) price set for whole 2009 year.
-Due to the new electricity sales tariffs that came into the force on 2009, part of the customers declared greater electricity consumption data than actually consumed; these revenues were accounted in Q1 2009.
-Due to later than expected confirmation of electricity sales prices company delayed implementation of planed repair and reconstruction works till the middle of the year.

2009-04-30 Information on the announcement of LEO LT, AB regarding the electricity price reduction.
Vilnius, 30 April, 2009, LEO LT, AB distributed to the Lithuanian media the following announcement:
From 1 July the price of the electricity will reduce Vilnius, on 30 April, The Board of LEO LT, AB, taking in to account the objective set by shareholders, will find a possibility to reduce the electricity price by 4 ct/kWh to the customers from 1 July, 2009.

2009-04-30 The decisions adopted in the General meeting of the shareholders of VST, AB on April 30, 2009.
The General shareholders meeting of VST, AB, held on April 30, 2009, adopted the following decisions:
1. The item of agenda “The consideration of the 2008 Annual report of VST, AB”:
1.1. Accept the 2008 annual report of VST, AB (attached).
2. The item of agenda “Approval of the 2008 financial statements of VST, AB”:
2.1. Approve the 2008 financial statements of VST, AB audited by the audit company “Ernst & Young Baltic”, UAB.
3. The item of agenda “Distribution of 2008 profit (loss) of VST, AB”:
3.1. Approve the distribution of 2008 profit (loss) of VST, AB (attached).
The approved distribution of 2008 profit (loss) of VST, AB:
1. Retained earnings at the beginning of the financial year 0 LTL (0 EUR);
2. Net annual operating result (profit/loss) 11 674 755 LTL (3 381 242,76 EUR);
3. Profit (loss) of the financial year that is unrecognized in the profit
(loss) statement 168 248 792 LTL (48 728 218,25 EUR);
4. Transfers from reserves 0 LTL (0 EUR);
5. Shareholders contributions to cover losses 0 LTL (0 EUR);
6. Total distributable profit (loss) 179 923 547 LTL (52 109 461,01 EUR);
7. Distribution of profit:
7.1. Profit allocation to the compulsory reserve 0 LTL (0 EUR);
7.2. Profit allocation to the reserve to purchase company‘s own shares 0 LTL (0 EUR);
7.3. Profit allocation to other reserves 0 LTL (0 EUR);
8. Profit allocation to pay out dividends (LTL per 1 share) 0 LTL (0 EUR);
9. Profit allocation to yearly pay outs to board and council members, employee bonuses and other purposes 0 LTL (0 EUR);
10. Retained earnings carried forward to next financial year 179 923 547 LTL (52 109 461.01 EUR).
4. The item of agenda “The Elections of the audit company for auditing company's financial statements for 2009 and setting the conditions of the payment for the audit services”:

4.1. To elect audit company PricewaterhouseCoopers, UAB for the audit of financial statements for 2009 of VST, AB and to pay for audit services a compensation not exceeding LTL 80 000 (excluding VAT).

2009-04-20 The draft resolutions of the general shareholders meeting of VST, AB.
According to the decision of the Board of VST, AB a general shareholders meeting of VST, AB is called on April 30, 2009 and shall take place at the office of the company J. Jasinskio 16C, Vilnius, 5th floor, at 9.00 AM. The shareholders will be asked to approve the following items:
1. The item of agenda “The consideration of the 2008 Annual report of VST, AB”:
1.1. Accept the 2008 annual report of VST, AB.
2. The item of agenda “Approval of the 2008 financial statements of VST, AB”:
2.1. Approve the 2008 financial statements of VST, AB audited by the audit company UAB „Ernst & Young Baltic“.
3. The item of agenda “Distribution of 2008 profit (loss) of VST, AB”:
3.1. Approve the distribution of 2008 profit (loss) of VST, AB:
1. Retained earnings at the beginning of the financial year 0 LTL (0 EUR);
2. Net annual operating result (profit/loss) 11 674 755 LTL (3 381 242,76 EUR);
3. Profit (loss) of the financial year that is unrecognized in the profit (loss) statement 168 248 792 LTL (48 728 218,25 EUR);
4. Transfers from reserves 0 LTL (0 EUR);
5. Shareholders contributions to cover losses 0 LTL (0 EUR);
6. Total distributable profit (loss) 179 923 547 LTL (52 109 461,01 EUR);
7. Distribution of profit:
7.1. Profit allocation to the compulsory reserve 0 LTL (0 EUR);
7.2. Profit allocation to the reserve to purchase company‘s own shares 0 LTL (0 EUR);
7.3. Profit allocation to other reserves 0 LTL (0 EUR);
8. Profit allocation to pay out dividends (LTL per 1 share) 0 LTL (0 EUR);
9. Profit allocation to yearly pay outs to board and council members, employee bonuses and other purposes 0 LTL (0 EUR);
10. Retained earnings carried forward to next financial year 179 923 547 LTL (52 109 461,01 EUR).
4. The item of agenda “The Elections of the audit company for auditing company's financial statements for 2009 and setting the conditions of the payment for the audit services”:
4.1. To elect audit company PricewaterhouseCoopers, UAB for the audit of financial statements for 2009 of VST, AB and to pay for audit services a compensation not exceeding LTL 80 000 (excluding VAT).

2009-04-16 Updated agenda of the General shareholders meeting of VST, AB to be held on April 30, 2009
The Board of VST, AB on April 15, 2009 adopted the decision to add the fourth question “The Elections of the audit company for auditing company's financial statements for 2009 and setting the terms and conditions of the payment for audit services” to the agenda of the General shareholders meeting to be held on April 30, 2009 and approved the following agenda of the meeting:
1. The consideration of the 2008 Annual report of VST, AB.
2. Approval of the 2008 financial statements of VST, AB.
3. Distribution of 2008 profit (loss) of VST, AB.
4. The Elections of the audit company for auditing company's financial statements for 2009 and setting the terms and conditions of the payment for audit services.

2009-04-10 The new Board, Chairman of the Board and Chief Executive Officer of LEO LT, AB were elected
On April 9, 2009 the Supervisory Council of LEO LT, AB has elected the new Board of LEO LT, AB. As members of the Board of LEO LT, AB became Rimantas Vaitkus (Chief Executive Officer and the Chairman of the Board of Rytu Skirstomieji Tinklai, AB), Rokas Masiulis (Director of Business Development of LEO LT, AB), Sarunas Vasiliauskas (former representative of Motorola for Baltic States), Valdas Bancevicius (Director of Technologies of LEO LT, AB) and Ramunas Biciulaitis (Chief Financial Officer of LEO LT, AB). On April 9, 2009 the Board of LEO LT, AB has elected Rimantas Vaitkus as Chairman of the Board and Chief Executive Officer.

2009-04-03 The general shareholders meeting of LEO LT, AB has elected the new Supervisory Council of LEO LT, AB
On April 3, 2009 the General shareholders meeting of LEO LT, AB has elected the new Supervisory Council of LEO LT, AB.
As the President of LEO LT, AB and the Chairman of the Supervisory Council was elected the Chairman of the National Control Commission for Prices and Energy Mr. Virgilijus Poderys.

As members of the Supervisory Council which will represent interests of the State became Tomas Vaitkevičius (Vice-minister of the Ministry of Justice), Romas Švedas (Vice-minister of the Ministry of Energy), Rimantas Žylius (Vice-minister of the Ministry of Economy), Aloyzas Vitkauskas (Undersecretary of the Ministry of Finance), Šarūnas Adomavičius (Undersecretary of the Ministry of Foreign Affairs) and Kęstutis Škiudas (Adviser to the Prime Minister Andrius Kubilius).
Interests of NDX Energy, UAB in the Supervisory Council will be represented by Ignas Staškevičius (Chairman of the Board of NDX Energy, UAB), Petras Jašinskas (Chief Financial Officer of NDX Energy, UAB), Marius Krisčiūnas (VP Group Lawyer) and Lina Karkliauskaitė (Chief Legal Officer of NDX Energy, UAB).

2009-03-27 The General meeting of the shareholders of VST, AB is called on April 30
The Board of VST, AB on March 27, 2009 adopted a decision to call the General shareholders meeting of VST, AB and approved the following agenda of the meeting:
1. Consideration of the 2008 Annual report of VST, AB.
2. Approval of the 2008 financial statements of VST, AB.
3. Distribution of 2008 profit (loss) of VST, AB.

2009-03-27 Information regarding resignation of the President of LEO LT, AB
On March 26, 2009 Mr. Julius Niedvaras, President of LEO LT, AB submitted a notification on his resignation from the position of the Chairman of the Supervisory Council of LEO LT, AB (President of the Company).

2009-03-23 Information on the resignation of the Management Board of LEO LT, AB member
Chairman of the Management Board and the Chief Executive Officer of LEO LT, AB Gintautas Mažeika announced that he presented the request to the Supervisory Board of LEO Lt, AB concerning his resignation from the Management Board and the Chief Executive Officer of LEO LT, AB form 26th of March, 2009.

2009-03-03 Announcment regarding the decision of the Constitutional Court of the Republic of Lithuania
On March 2th, 2009 the Constitutional Court of the Republic of Lithuania has published the decision in case On the compliance of the provisions of the articles 8, 10, 11 of the Law on the Nuclear Plant and article 19 of the Law on the Administration, operation and disposal of State and municipal assets to the Constitution of the Republic of Lithuania. More information can be found on the Constitutional Court of the Republic of Lithuania internet site http://www.lrkt.lt/.

2009-02-27 VST, AB preliminary result for the year 2008
The Company's non-audited net profit for the year 2008 is 11.7 million LTL (3.4 million EUR) according to the International Financial Reporting Standards, in 2007 audited net profit was - 67.2 million LTL (19.5 million EUR). The decrease in net profit was due to the higher electricity generation and transmission price and also due to higher other operating costs.
The Company's revenue - 1 159.7 million LTL (335.9 million EUR) in 2008, compared with 1 053.7 million LTL (305.2 million EUR) in 2007.
In 2008 the Company sold 4 020 million kWh of electric power, compared with 3 947 million kWh in 2007.
Due to the fact that the main shareholder of the Company changed in 2008, according to International Financial Reporting standards independent appraisers, have performed valuation of the Company's property plant and equipment at the date of acquisition (2008 05 27) or at the date that is close to the date of acquisition (2008 05 31). The Company's property, plant, equipment and other long term tangible assets were evaluated as of 31 May 2008 amounts to 2 950 million LTL (854.4 EUR).
In 2008 the Company invested 144,4 million LTL (41,8 million EUR) into electric power distribution and other property, plant and equipment.

2009-02-13 Information regarding the acquired volume of electricity
VST, AB informed that in January 2009 the company bought 411 million kWh of electricity, which is by 5,84 per cent less than in January 2008.

COMPLIANCE WITH THE COMPANY MANAGEMENT CODE

The Board of NASDAQ OMX Vilnius, seeking to improve management of companies and disseminate best practices among the listed companies, has approved the Code of Management of Companies Listed on NASDAQ OMX Vilnius.

Information on how VST, AB complies with the provisions of this company management code is presented in the Company's website www.vst.lt.

Chief Executive Officer Rimantas Vaitkus

20 March 2010

VST, AB
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APPENDIX TO THE ANNUAL REPORT

Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market

The public company „VST“ (latter in commentaries referred as the Company), following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of the NASDAQ OMX Vilnius stock exchange, discloses its compliance with the Governance Code, approved by the NASDAQ OMX Vilnius for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The principal directions and strategy of the Company's development are made publicly available on the Company's website and in the Company's annual and interim reports.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Company's Board takes the main strategic decisions affecting increase of the shareholders' assets (optimisation of the Company's operational functions and structure, other actions enhancing the efficiency of the Company's operation as well as cost reduction).
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Not applicable	Supervisory body is not set up in the Company. See 2.1.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), in or connected with the company's operation, are duly respected.	Yes	The Company's bodies respect the rights and interests of the persons participating in or associated with the activities of the Company: 1. since the establishment of the Company, the Company has co-operated and pursued social partnership with representatives of the Company's employees (allocates funds for implementation of the collective agreement and provision of incentives to employees, etc.). 2. The Company fulfils its financial and other commitments entered into with creditors. 3. The Company is implementing the measures designed to improve the Company's customer service (customer service online (by means of the Company's website) and by phone is being developed, the conditions of customer service at the Company's divisions are being improved, the one-stop principle is being introduced and other projects relating to improvement of customer satisfaction are being implemented). 4. The Company organises social projects engaging children, youth, local communities and other social groups. Detailed information about the initiatives carred out by the Company is presented on the Company's website and the annual report.

Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	Supervisory body is not set up in the Company, as after taking into account the structure of shareholders and the regulated activities of the Company, it is considered as not relevant. The Company has the Board and the head of the Company.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes No	The functions indicated in the Recommendation are performed by the Company's Board. Supervisory body is not set up in the Company. See 2.1.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	Supervisory body is not set up in the Company. See 2.1.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	No/Yes	The recommendations outlined in Principles III and IV have not been fully implemented in the Company, however the Company complies with all the requirements set forth by legal acts for the formation of the collegial body. It should be noted that the Company pursues distribution and supply of electricity, hence its activities are strictly governed by legal acts and subject to supervision by appropriate state authorities (the National Control Commission for Prices and Energy, etc.), which helps to ensure the transparency and expedition of

[1] Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

		decision-making, implement the principles of non-discrimination of the Company's consumers, reduction of the Company's costs and other principles. Supervisory body is not set up in the Company. See 2.1.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	Paragraph 33 of the Company's articles of association provides that the Company's Board comprises 5 (five) members. The Company believes that such a number of the board members is sufficient, because it ensures a speedy and efficient decision-making process. The Board takes decisions at meetings of the Board. A meeting of the Board is deemed to have been held if it is attended by at least 4 members. A decision is adopted if more than a half of all attending Board members vote for it.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Not applicable	Supervisory body is not set up in the Company. See 2.1.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Company's Board and the chairman of the Board are elected in compliance with the requirements set forth in the Law on Companies of the Republic of Lithuania. Please also refer to subparagraphs 3.1, 3.2.

[2] Definitions *'executive director'* and *'non-executive director'* are used in cases when a company has only one collegial body.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Board of the Company is elected by the General Shareholders Meeting according to the rules prescribed in the Law on Companies of the Republic of Lithuania.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	The information provided for in the Recommendation about candidates to members of the Board of the Company is supplied in accordance with the procedure laid down by the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company. The mentioned information is usually supplied to shareholders at a General Shareholders' Meeting. In the event of a rise of new circumstances likely to cause a conflict of interest between a member of the Board and the Company, the member of the Board must give an immediate written notice of such new circumstances to the Company and the Board. Information about the office currently held by members of the Company's Board or their participation in the activities of other companies is collected on a regular basis, accumulated and presented in the Company's annual report and on its website.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information about the work experience of and the office held by candidates to members of the Board as well as another information on the candidate's competence is supplied to the General Shareholders' Meeting in accordance with the procedure laid down in the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company. Information about the composition of the Board and the office held by the Board members is disclosed in the Company's annual report.

[3] Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly.	No	Under the Law on Companies of the Republic of Lithuania, if the Supervisory Board is not formed, the Board is elected and the qualification of the Board members is assessed by the General Shareholders' Meeting. The Board may not determine its own composition.
The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	No	The audit committee is not set up in the Company. See 4.14.
At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	No	The remuneration committee is not set up in the Company. See 4.13.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	So far, the Company has not experienced any need and has not applied any practice of offering to newly appointed members of the Board a tailored programme designed to familiarise a member with his/her duties, the Company's organisation and activities. It should be noted that members of the Board are regularly informed about the Company's operation at meetings of the Board and also individually at the request of the members. There is no formal review to identify knowledge of the Board's members in the Company. However, the Board's members attend special seminars or courses, if there is a necessity.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	No	The Articles of Association of the Company do not contain a provision under which the Board must comprise a certain number of independent members. Formation of the Board (as well as election of independent members of the Board) falls within the scope of competence of the General Shareholders' Meeting.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of	No	See 3.6

[4]The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

[5] It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances ratherthan their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance-based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior		

employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	See 3.6

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	See 3.6
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	See 3.6
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6] The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	See 3.6

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	The Board elected in the Company presents to the General Shareholders' Meeting proposals concerning a set of the Company's annual financial statements, the draft profit distribution, the Company's annual report, the activities of the head of the Company, also performs other functions assigned to the sphere of competence of the Board.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions, (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective companynot- pertaining body (institution).	Yes No	All members of the Board act in good faith in respect of the Company, in the interests of the Company and with due regard to public welfare. It should be noted that in accordance with provisions of the rules of procedure of the Board, a member of the Board has the right to express his opinion on all issues of the agenda. Independent members of the Board are not elected, see 3.6.

[7] See Footnote 3.
[8] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half [9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The members of the Company's Board take active part in the meetings of the collegial body and devote sufficient time to perform their duties as members of the collegial body. The members of the Board attending a meeting are recorded in the minutes of the meeting.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	Shareholders are informed of the Company's strategy, risk management and resolution of conflicts of interest in accordance with the procedure laid down by legal acts. The role of members of the Board when communicating with and committing to shareholders is established in compliance with the requirements of the Law on Companies.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes No	The management bodies of the Company enter into and endorse transactions in compliance with the requirements of legal acts and the articles of association. Independent members of the collegial body are not elected. See 3.6.

[9] It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies.[10] Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.	Yes Yes No	In passing the decisions that are significant for the Company's operations and strategy, the Company's Board is independent and acts in the interest of the Company in accordance with the procedure laid down in the Articles of Association of the Company. The Company ensures provision of the Board with the resources required for its activities (provides technical maintenance services to meetings of the Board, supplies the entire required information and performs other functions provided for in the rules of procedure of the Board). The committees of the collegial body are not formed, see the comment under paragraph 4.7.

[10] 10 In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees [11] Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	Independent members of the collegial body are not elected, see 3.6. Comities are not formed. The Company thinks the work of the Board is well organized and efficient enough. The Board itself can properly perform all the functions that, according to recommendations, should be assigned to the committees.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees	No	Committees are not formed, see 4.7, 4.12, 4.13. 4.14

[11] The Law of the Republic of Lithuania on Audit (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.		
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	Committees are not formed, see 4.7, 4.12, 4.13. 4.14
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	Committees are not formed, see 4.7, 4.12, 4.13. 4.14

4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	Committees are not formed, see 4.7, 4.12, 4.13. 4.14
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	Committees are not formed, see 4.7. The Company does not have the Nomination Committee. Its functions were performed (until adoption of the decision on liquidation of LEO LT, AB) by the Remuneration and Appointment Committee set up by the parent company LEO Lt, AB. The key functions performed by the Remuneration and Appointment Committee were as follows: - Assess and present proposals regarding the long-term remuneration policy and the bonuses policy of subsidiary undertakings; - Assess the procedures of search for and selection of candidates to members of subsidiary undertakings' bodies and senior management as well as the setting of qualification requirements, etc.

4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company. 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation. 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the	No	Committees are not formed, see 4.7.

respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the	No	Committees are not formed, see 4.7. According to provisions of the Law on Audit of the Republic of Lithuania, a public interest entity which is a subsidiary and the financial statements whereof are consolidated may wave the requirements of the Law on Audit of the Republic of Lithuania concerning the formation of the Audit Committee if the parent company thereof the Audit Committee. As the parent company LEO LT, AB had in place the Audit Committee, a separate Audit Committee in the Company was not formed. Having regard to the fact that, upon entry into force on 31 December 2009 of the decision on liquidation of LEO LT, AB, the members of the Supervisory Board formed in the parent company (including the members of the Audit Committee) were withdrawn, the Board of the Company resolved to submit the issue of formation of the Audit Committee in the

internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.		Company and election of members of the Audit Committee for consideration at the coming General Shareholders' Meeting of the Company.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The Board does not conduct any formal assessment of its activities. Company's activities, as well as Board's activities, are assessed by shareholders' according to the rules prescribed in the legislation.

Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	According to the provisions of the rules of procedure of the Board and the current practice, this Recommendation has been implemented in the Company.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.[12]	Yes	The meetings of the Company's Board are convened in compliance with the procedure established by the rules of procedure of the Board. The rules of procedure of the Board stipulate that in order to ensure an interrupted resolution of the essential corporate governance issues, meetings of the Board are convened at least once in a calendar quarter. If required, meetings of the Board are convened by the chairperson, each member of the Board or on the initiative of the Chief Executive Officer of the Company.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be	Yes	Pursuant to the rules of procedure of the Board, the members of the Board and the persons invited to the meeting are notified about the meeting being convened prior to 5 working days, all the documents relevant to the issues on the agenda of the meeting are also submitted to them.

[12] The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.		
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decisionmaking process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Not applicable	Supervisory body is not set up in the Company, see 2.1. Only the Board operates in the Company, therefore, coordination of operation of collegial bodies is irrelevant.

Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The share capital of the Company consists of ordinary registered shares with a nominal value of 30 litas each that grant the same economic and moral rights to all the holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company's Articles of Association which are publicly accessible on the Company's website contain the rights granted by the shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	In the cases provided for in the Company's Articles of Association, the Company's Board may take decisions subject to prior approval of the Company's general shareholders' meeting. The Company provides all its shareholders with access to the documents of the general shareholders' meeting and with the opportunity to participate in the decision-making at the meeting in the manner prescribed by legal acts.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	A general shareholders' meeting is convened and other procedures related to the meeting are implemented in compliance with the procedure established by the Law on Companies of the Republic of Lithuania.

[13] The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Information concerning the general shareholders' meeting being convened and other documents related to the general shareholders' meeting being convened are submitted to the shareholders in compliance with the procedure and terms established by the Law on Companies of the Republic of Lithuania.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The shareholders of the Company may exercise their right to participate in the general shareholders' meeting in person and authorise other persons to do so as proxies provided the proxy is duly authorised or an agreement on the disposal of the voting right has been concluded with him in compliance with the procedure established by the legislation. The shareholders of the Company are furnished with the opportunity to vote by completing the general voting ballot as stipulated by the Law on Companies of the Republic of Lithuania.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	Yes/No	In the Company's view, currently, there is no need to organise voting by means of telecommunications terminal equipment, besides, this would require large investments. However, at the shareholders' request, depending on the circumstances, the Company would furnish the shareholders with the opportunity to vote by means of telecomunications terminal equipment.

Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Company follows these Recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	The Company follows these Recommendations.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	The Company follows these Recommendations.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The rules of procedure of the Board of the Company stipulate that the members of the Company's Board are to abstain from voting when an issue related to their activities in the Board or an issue related to their responsibility is addressed in the meeting of the Board. Moreover, pursuant to the legislation, the members of the Company's bodies are to avoid a situation where their personal interests are contrary or may be contrary to the Company's interests.

Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	In accordance with the established practice, a procedure on the Company's remuneration policy and on the approval, revision and announcement of directors' remuneration and a statement of the Company's remuneration policy are not prepared. In the Company's view, it is unnecessary, besides, the preparation of the aforementioned documents is not mandatory pursuant to the legislation being in force. General information concerning the Company's remuneration policy, average amounts of remuneration of individual groups of employees are publicly accessible in the Company's annual report.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See 8.1
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;	No	See 8.1

5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	See 8.1

8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;	No	See 8.1

4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	No	See 8.1
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	No	See 8.1
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	No	See 8.1

8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	See 8.1
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	See 8.1
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	See 8.1
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	See 8.1
8.13. Shares should not vest for at least three years after their award.	No	See 8.1
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	No	See 8.1
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	No	See 8.1

8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	See 8.1
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	See 8.1
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	See 8.1
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	See 8.1

8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	No	See 8.1
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	No	See 8.1
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	No	See 8.1

8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	No	See 8.1

Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The corporate governance framework assures that the rights of stakeholders that are protected by law are respected. For example, consultations, negotiations, meetings are conducted with the representatives of the Company's employees concerning performance optimisation processes carried out in the Company. Pursuant to the Company's collective agreement concluded with the representatives of the Company's employees, the Company informs the representatives of trade unions about the changes foreseen in the Company, the financial situation in the Company, etc. Stakeholders may participate in corporate governance to the extent established by the legislation of the Republic of Lithuania being in force.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	

Principle X: Information disclosure and transparency The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	 Yes Yes Yes No Yes Yes No Yes	Information specified in items 1-8, with the exception of item 4 (see paragraph 10.3), and item 7 (see paragraph 10.4), is disclosed in the Company's reports drawn up on a regular basis, annual reports, notices about material events. Information specified in items 4 and 7 is disclosed to the extent which is mandatory pursuant to the legislation being in force. Additional information concerning the Company's activities is posted on the Company's website.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Not applicable	The company does not have any subsidiaries.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer	Yes No	This information is disclosed in the Company's annual report and posted on the Company's website. Information about the amount of remuneration or other income received from the Company by each member of the Company's Board and the Company's Chief Executive Officer is not disclosed because, in the Company's view, it is unnecessary, besides, it is not mandatory pursuant to the legislation being in force. In its annual report, the Company discloses information about the total amounts and average rates of remuneration and other payments paid within the accounting period per member of the Board and administration.

as per Principle VIII.		
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	No	Information specified in item 7 of Recommendation 10.1 is announced to the extent which is mandatory pursuant to the legislation of the Republic of Lithuania being in force. Information about the links between the Company and its stakeholders is disclosed in press releases, posted on the Company's website.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on NASDAQ OMX Vilnius, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	Information disclosed via the information disclosure system used by NASDAQ OMX Vilnius is presented in the Lithuanian and English languages simultaneously. The Information is announced before or after a trading session on NASDAQ OMX Vilnius and is disclosed simultaneously to all the markets where the Company's securities are traded. Information which may have an influence on the price of securities issued by the Company is not disclosed in comments, interviews or in any other way until such information is publicly disclosed via the information disclosure system used by NASDAQ OMX Vilnius.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Apart from the way of disclosure specified in the comment on paragraph 10.5, the Company makes use of various media (newspapers, news agencies, publicly accessible Company's website) so as to ensure that information being disseminated reached as many stakeholders as possible. Information in Lithuanian and English is placed on the Company's website.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company announces all information specified in this Recommendation on its website.

Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	An independent firm of auditors conducts an audit of annual financial reports. An independent firm of auditors also assesses the compliance of the annual report with the financial reports audited. See paragraph 11.2 for additional information.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	A candidate firm of auditors is proposed to the general shareholders' meeting by the Company's Board taking into consideration the recommendations on the firm of auditors submitted by the Audit Committee of the parent company LEO LT AB.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The Company follows these Recommendations.