LIETUVOS ENERGIJA

AKCINĖ BENDROVĖ LIETUVOS ENERGIJA

08 April 2010 Nr. SD- 2920

CONFIRMATION OF RESPONSIBLE PERSONS

Referring to the provisions of the Article 21 of the Law on Securities of the Republic of Lithuania and the Rules for the Drawing up and Submission of the Periodic and Additional Information of the Securities Commission of the Republic of Lithuania, we, the undersigned Aloyzas Koryzna, CEO of AB „Lietuvos energija", Darius Grondskis, Director of Finance Department of AB „Lietuvos energija" and Tatjana Didikienė, Chief Financier of AB „Lietuvos Energija", hereby confirm that, to the best of our knowledge, the consolidated financial statements for the financial year 2009 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the AB „Lietuvos energija" and consolidated group assets, liabilities, financial position and profit for the relevant period, the Consolidated Annual Report includes a fair review of the development and performance of the business and the position of AB „Lietuvos energija" on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces.

| | |
|---|---|
| Aloyzas Koryzna | CEO |
| Darius Grondskis | Director of Finance Department |
| Tatjana Didikienė | Chief Financier |

Kodas 220551550 PVM kodas LT205515515 Žvejų g. 14, LT-09310 Vilnius
Tel.: (8 5) 278 29 20, 278 20 82, faksas (8 5) 212 67 36, el. p. info@lietuvosenergija.lt, www.lietuvosenergija.lt
Juridinių asmenų registro tvarkytoja valstybės įmonė Registrų centras, V. Kudirkos g. 18, LT-03105 Vilnius

# LIETUVOS ENERGIJA AB

CONSOLIDATED AND COMPANY'S
FINANCIAL STATEMENTS FOR THE YEAR 2009
prepared according to International Financial Reporting
Standards, as adopted by the European Union,
presented together with the independent auditors' report

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*Translation note*

*This document has been prepared in Lithuanian language and in English language. In all matters of interpretations of information, views or opinions, the Lithuanian language version of our report takes precedence over the English version.*



The financial statements were approved by the General Director, Finance Director and Chief Financier on 19 March 2010.

| | | |
|---|---|---|
| Aloyzas Koryzna<br>General Director | Darius Grondskis<br>Finance Director | Tatjana Didikienė<br>Chief Financier |

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers UAB
J. Jasinskio 16B
LT-01112 Vilnius
Lithuania
Telephone +370 (5) 239 2300
Facsimile +370 (5) 239 2301
E-mail vilnius@lt.pwc.com
www.pwc.com/lt

*Translation note*

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

**Independent Auditor's Report**

To the Shareholders of Lietuvos energija AB

**Report on the Financial Statements**

We have audited the accompanying stand alone and consolidated financial statements (the 'financial statements') of Lietuvos energija AB (the 'Company') and its consolidated subsidiaries (together the 'Group') set out on pages 45 - 102 which comprise the stand alone and consolidated statement of financial position as at 31 December 2009 and the stand alone and consolidated 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 European Union. 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 and the Group's accounting policy, property, plant and equipment, except for Hydro Power Plant and Pumped Storage Power Plant, should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 3 and Note 5 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 and the Group's assets. The Company's and the Group's management was not able to reassess fair values of property, plant and equipment with the carrying amounts of LTL 2,140 million and LTL 2,144 million respectively 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.

Property, plant and equipment of Hydro Power Plant and Pumped Storage Power Plant are carried at cost, less accumulated depreciation and impairment losses. As explained in Note 3 to the financial statements the Company and the Group has not estimated whether the recoverable amount of property, plant and equipment of Hydro Power Plant and Pumped Storage Power Plant with the carrying amount of LTL 572 million as of 31 December 2009 is not less than its carrying amount as required by IAS 36 Impairment of assets. It has not been possible to estimate reliably the financial effects of this non-compliance.

*Qualified Opinion*

In our opinion, except for the possible effects of the matters 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 and the Group 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 European Union.

**Report on Other Legal and Regulatory Requirements**

Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2009 set out on pages 5 – 44 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

Rimvydas Jogėla
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
19 March 2010

# CONSOLIDATED ANNUAL REPORT OF LIETUVOS ENERGIJA AB AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2009

The consolidated annual report of public limited liability company Lietuvos energija (hereinafter, the "Company") and its subsidiaries (the Company and its subsidiaries hereinafter are referred to as the "Group") has been prepared by the Administration of the Company and approved by the Board in accordance with Chapter Five, Article 25 of the Republic of Lithuania Law on Financial Reporting of Enterprises, and Chapter Three, Article 9 of the Republic of Lithuania Law on Consolidated Financial Reporting of Enterprises, as well as Resolution No. 1K-3 of the Securities Commission of the Republic of Lithuania, dated 23 February 2007, "On the Approval of the Rules for the Drawing up and the Submission of Periodical and Additional Information", as amended on 14 February 2008.

## 1 General information about the Group of companies

### 1.1 Reporting period for which the consolidated annual report has been prepared

The consolidated annual report of the Company and its subsidiaries has been prepared for the financial year 2009.

### 1.2 Companies comprising the Group of companies and their contact details (name, legal form, date and place of registration, company code, address of the registered office (if the address of the registered and the actual office is different, indicate both), telephone, fax, e-mail and website)

As of 31 December 2009, the Company directly controlled the following subsidiaries: Energetikos pajėgos UAB, Kauno energetikos remontas UAB, Kruonio investicijos UAB, Litgrid UAB, Energijos tiekimas UAB, InterLinks UAB, and VšĮ Respublikinis energetikų mokymo centras (Public Institution National Energy Training Centre). The company holds 100% shares in these subsidiaries. The Company was also the founder of Public Institution National Energy Training Centre. Indirectly, through Kauno energetikos remontas UAB, the Company had the majority of votes in Gotlitas UAB; the majority of votes previously held in OOO Kaliningradskij Energoremont was sold to a third party on 2 June 2009. Indirectly, through Litgrid UAB, the Company has a majority holding in Baltpool UAB.

The Company prepared the consolidated financial statements for the year 2009 by consolidating the financial statements of Lietuvos energija AB, Kauno energetikos remontas UAB, Gotlitas UAB, Energetikos pajėgos UAB, Kruonio investicijos UAB, Litgrid UAB, Baltpool UAB, Energijos tiekimas UAB, InterLinks UAB, and Public Institution National Energy Training Centre. Contact information of the companies forming the Group is presented in the table below:

| Company | Legal form | Date and place of registration | Company code | Address of the registered office | Telephone, fax, e-mail |
|---|---|---|---|---|---|
| Lietuvos energija AB | Public limited liability company | 04.12.1995, Register of Enterprises of the Republic of Lithuania | 220551550 | Žvejų g. 14, LT-09310 Vilnius | Tel. (8 5) 278 20 82<br>Fax (8 5) 212 67 36<br>www.lietuvosenergija.lt; info@lietuvosenergija.lt |
| Energetikos pajėgos UAB | Private limited liability company | 26.11.2003, Register of Enterprises of the Republic of Lithuania | 136046431 | T. Masiulio g. 16D, Kaunas | Tel. (8 37) 30 98 97<br>Fax (8 37) 30 98 03<br>www.energetikospajegos.lt |
| Kruonio investicijos UAB | Private limited liability company | 18.01.2007, Register of Enterprises of the Republic of Lithuania | 300634954 | Kruonio II vil., Kaišiadorys dist. | Tel. (8 5) 278 2315 |
| Kauno energetikos remontas UAB | Private limited liability company | 27.04.2000, Register of Enterprises of the Republic of Lithuania | 135617795 | Chemijos g. 17, Kaunas | Tel. (8 37) 45 67 02<br>Fax (37) 45 29 48<br>www.ker.lt; ker@ker.lt |

| | | | | | |
|---|---|---|---|---|---|
| Gotlitas UAB | Private limited liability company | 30.09.2003, Register of Enterprises of the Republic of Lithuania | 136031358 | R. Kalantos g. 119, Kaunas | Tel. (8 37) 37 03 90 |
| Litgrid UAB | Private limited liability company | 22.10.2009, Register of Enterprises of the Republic of Lithuania | 302449655 | A. Juozapavičiaus g. 13, Vilnius | Tel. +370 5 278 2777<br>Fax +370 5 272 398<br>www.litgrid.eu;<br>info@litgrid.eu |
| Baltpool UAB | Private limited liability company | 10.12.2009, Register of Enterprises of the Republic of Lithuania | 302464881 | A. Juozapavičiaus g. 13, Vilnius | |
| Energijos tiekimas UAB | Private limited liability company | 21.10.2009, Register of Enterprises of the Republic of Lithuania | 302449388 | Jeruzalės g. 21, Vilnius | Tel. (8 5) 278 27 78<br>Fax (8 5) 278 27 50<br>www.etiekimas.lt |
| InterLinks UAB | Private limited liability company | 29.07.2008, Register of Enterprises of the Republic of Lithuania | 301817944 | Žvejų g. 14, LT-09310 Vilnius | Tel. (8 5) 278 2780, 278 2781, 278 2782<br>Fax (8 5) 278 2790<br>www.interlinks.lt;<br>info@interlinks.lt |
| VšĮ Respublikinis energetikų mokymo centras (Public Institution National Energy Training Centre) | Public institution | 16.05.2001, Register of Enterprises of the Republic of Lithuania | 111966614 | Jeruzalės g. 21, Vilnius | Tel. (8 5) 237 4577<br>Fax (8 5) 269 7166<br>www.remc.lt<br>info@remc.lt |

In addition to the above-mentioned subsidiaries, the Company participated in the management of the following associates and joint ventures: LitPolink Link SP Z.o.o. (a 50 per cent holding); AS Nordic Energy Link (a 25 per cent holding); Geoterma UAB (a 23.44 per cent holding); indirectly, through Kauno energetikos remontas UAB, the Company participated in the management of Enmašas UAB (a 33.33 percent holding). The Company is also a stakeholder of the Lithuanian Energy Museum (1/5).

### 1.3 Main business activities of the Group companies

| Company | Shareholding of the Group | Principal activities |
|---|---|---|
| Lietuvos energija AB | - | Electricity transmission, generation, import/export, lease of property, IT services, power energy system services |
| Energetikos pajėgos UAB | 100 per cent | Designing of power facilities |
| Kruonio investicijos UAB | 100 per cent | Development of public and recreational facilities |
| Kauno energetikos remontas UAB | 100 per cent | Repair of energy equipment, manufacture of metal structures |
| Gotlitas UAB | 100 per cent | Accommodation services, trade |
| Litgrid UAB* | 100 per cent | Electricity transmission, power energy supply system services |
| Baltpool UAB* | 100 per cent | Electricity market operator |
| Energijos tiekimas UAB* | 100 per cent | Independent supply of electricity |
| InterLinks UAB | 100 per cent | Development and implementation of projects on power interconnection between the transmission networks of Lithuanian and other power systems |

* not engaged in active business during 2009.

### 1.4 Issuer's contracts with broker companies and/or credit institutions providing investment services and/or performing investment business

On 29 December 2006, the Company and AB bankas Hansabankas (currently, Swedbank AB) entered into the issuer's securities accounting agreement regarding the accounting of the issuer's securities and the management of personal securities accounts. The agreement was effective until 31 December 2008, and at the end of the year 2008 it was extended until 31 December 2010.

On 10 August 2006, the Company and AB SEB bankas entered into an agreement regarding bonds listing (preparation of bonds emission), which remained in effect until 29 August 2009.

On 13 May 2009, the Company and AB SEB bankas entered into the agreement on repurchase and reverse repurchase of securities.

On 3 June 2009, the Company and AB SEB bankas entered into the agreement on the management of the securities account.

### 1.5 Trading in securities of the companies comprising the Group on regulated markets (name of the regulated market and the number of securities admitted to trading)

The Company's shares are traded on NASDAQ OMX Vilnius Stock Exchange (hereinafter, "VSE"). The Company's shares are included in the secondary VSE trading list. The Company has issued 689 515 435 ordinary registered shares with a nominal value of LTL 1 each (ISIN code LT0000117681).

On 29 September 2006, the Company issued 75 000 registered bonds of 1 096 days maturity, EUR 100 nominal value each, with the total nominal value EUR 7 500 000 (seven million five hundred thousand), bearing 4.06% annual interest. The bonds were included in VSE debt securities trading list (ISIN code LT1000403311). The bonds were redeemed on 29 September 2009.

### 1.6 Overview of the situation of the Group companies, performance and business development, description of main risk and uncertainties

Following the adoption of the Law Amending and Supplementing the Republic of Lithuania Law on Nuclear Power Plant on 1 February 2008, the national investor company LEO LT, AB was established on 27 May 2008. 664 700 833 Company shares held by the state were invested into the authorised capital of the above-mentioned company. On 4 December 2009, the Government of the Republic of Lithuania and UAB NDX energija signed the contract on the dissolution of LEO, AB and cancellation of the agreements establishing the national investor. On the basis of this contract, the Government of the Republic of Lithuania became the sole shareholder of LEO LT, AB.

On 28 December 2009, the National Control Commission for Prices and Energy adopted a decision on the issuance of a licence of the electricity market operator to BALTPOOL UAB, a subsidiary of LITRGID UAB, and a licence of an independent supplier to Lietuvos energija AB. Until that time, throughout 2009, the principal activities of the Company included the following: activities of the transmission system operator (electricity transmission), transmission trading (market operator), electricity generation and export/import. The Company also carried out other, non-operating activities. Unbundling of activities provides increased transparency because operating expenses are attributed to separate activities; however, unbundling of activities into separate companies makes cash flow management more difficult.

The crisis that started had a significant impact on the performance results of another company of the Group Kauno energetikos remontas UAB by causing its revenue to decline by 61.8 per cent, compared with 2008.

On 29 October 2009, the Company and the Nordic Power Exchange Nord Pool Spot AS signed the contract on the provision of administration services for trade on the Lithuanian Power Exchange based on "Nord Pool Spot" principles. Nord Pool Spot AS will perform calculations of the price and trade volumes available on the Lithuanian Power Exchange for each hour day ahead according to the bids for purchase and sale of electricity submitted by the participants of the Lithuanian market and will provide summaries of trading results of the market participants. As of 1 January 2010, such activities are administered by BALTPOOL UAB.

On 27 March 2009, the international rating agency *Standard & Poor's* fulfilled the request of Lietuvos energija AB to stop providing ratings on the Company. Taking into account the fact that credit ratings for the State of Lithuania had been reduced, before fulfilling the request of Lietuvos energija AB, *Standard & Poor's* announced that it lowered the Company's long-term credit rating from BBB+ to BBB and its short-term credit rating from A-2 to A-3.

On 21 October 2009, Energijos tiekimas UAB, a new subsidiary of Lietuvos energija AB engaged in electricity supply, was entered in the Register of Legal Entities. Having obtained a licence of an independent supplier, the company will engage in retail trade in electricity on the Lithuanian electricity market and electricity markets of the neighbouring countries.

### *1.6.1 Transmission system operator's business*

Prior to the adoption by the National Control Commission for Prices and Energy of the decision to cancel the licence, the core business of the Company was the performance of the electricity transmission system operator's function in the country. The decision took effect at the beginning of 2010; thus, the whole year 2009, like 2008, relates to the activities of the transmission system operator.

By Resolution No. 03-139 of 25 September 2009 "On the Methodology for Setting the Prices and Price Caps for Electricity Transmission and Distribution Services", the methodology for setting the price cap, which was effective before that date, was repealed and was replaced with a new methodology.

Each year the Company's Board approves the consumer price for transmission service, which cannot exceed the established price cap. In the period from 2007 to 1 July 2009, the price of transmission service, excluding capacity reserve service, which was approved by the Board of the Company, did not change and amounted to 2.4 ct/kWh. The Company consistently sought ways of operating efficiently, cut down on its costs, improved efficiency and found the possibility of reducing the price of the services. By decision of the Board of the Company as of 25 May 2009, taking into account the economic situation in the country, effective from 1 July 2009, the price of electricity transmission service was reduced to 2.2 ct/kW. This price of transmission service was significantly lower than the price cap set by the Commission.

The table presented below shows the dynamics and structure of transmission service prices during 2002–2009.

### *1.6.2 Dynamics of electricity transmission prices in 2002-2009*

| | Q1 2002 | Q2 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 1st half-year | 2009 2nd half-year |
|---|---|---|---|---|---|---|---|---|---|---|
| Price cap of electricity transmission service set by the Commission (ct/kWh) | 3.80 | 3.82 | 3.80 | 3.63 | 3.78 | 3.70 | 3.59 | 5.36* | 5.46* | 5.46* |
| of which: | | | | | | | | | | |
| - for transmission | 2.35 | 2.43 | 2.41 | 2.25 | 2.51 | 2.43 | 2.41 | 4.08 | 4.04 | 4.04 |
| - for capacity reserve | 1.45 | 1.39 | 1.39 | 1.38 | 1.27 | 1.27 | 1.18 | 1.28 | 1.42 | 1.42 |
| Price of electricity transmission service approved by the Board of the Company (ct/kWh) | 3.80 | 3.39 | 3.39 | 3.38 | 3.47 | 3.47 | 3.58 | 3.68* | 3.82 | 3.62 |
| of which: | | | | | | | | | | |
| - for transmission | 2.35 | 2.00 | 2.00 | 2.00 | 2.20 | 2.20 | 2.40 | 2.40 | 2.40 | 2.20 |
| - for capacity reserve | 1.45 | 1.39 | 1.39 | 1.38 | 1.27 | 1.27 | 1.18 | 1.28 | 1.42 | 1.42 |

* Except the price of public service obligation electricity.

From 2008, the transmission price structure underwent a significant change – compensation to electricity generators for public service obligation (hereinafter, "PSO") became a part of transmission price. Including the above-mentioned PSO price, the price of transmission service in the first half-year of 2009 amounted to 10.4 ct/kWh, which was 3 ct/kWh higher than in 2008, and in the 2nd half-year of 2009, the price of transmission service, including the PSO price, amounted to 9.79 ct/kWh (in the 2nd half-year, the PSO tariff declined from 6.58 to 6.17 ct/kWh).

During 2009, as the transmission system operator, the Company transmitted through its high voltage power lines 9.17 billion kWh of electricity for domestic needs. Electricity transmission volume was 9.3 per cent lower than in 2008: the volume of electricity transmitted to distribution networks decreased by 6.5 per cent compared with 2008 and amounted to 8.3 billion kWh; the volume of electricity transmitted to other consumers was 0.9 billion kWh, or 28.3 per cent less.

### *1.6.3 Business of the market operator*

In addition to the activities of the transmission system operator, the Company also carried out the activities of the market operator. In conducting this activity, the Company administered the domestic electricity market: it registered bilateral agreements of wholesale market participants, accumulated assignments for electricity trade at an auction and determined the sequencing of sales, documented bilateral agreements and trade transactions at an auction, presented electricity trade results to the market participants and regulatory institutions.

The suppliers active on the Lithuanian wholesale market trade in electricity of two types: *contractual electricity* is traded under direct bilateral agreements between generators and suppliers; *additional electricity* is sold through an auction of generators. After variation of the rules of trading, PSO electricity is no longer traded on the domestic market; funds intended for compensation to generators for public service obligation are collected as part of the price of electricity transmission service.

In 2009, Lithuania's market demand for electricity was 10.6 billion kWh (in 2008, 11.4 billion kWh).

Additional electricity was traded through the Company as the market operator.

#### *1.6.4 Electricity generation and export*

The Company holds permits of unlimited duration to engage in electricity generation, import and export.

The Company generates electricity in two power plants owned by it: Kaunas HPP and Kruonis PSP. The two power plants operated as elements of the electricity transmission system; electricity generated by them was mostly used for compensation of the Company's technological losses and ensuring the balance of generation and consumption levels. During the reporting period, these power plants supplied to the transmission grid 1.06 billion kWh of electricity, which accounted for approximately 7.2 per cent of all electricity supplied in the country.

The Company continuously seeks to optimise its export structure and to achieve the highest benefit at the least possible cost. Due to decreased domestic demand for electricity, in 2009, the Company sold for export 3.47 billion kWh.

#### *1.6.5 Other activities*

In 2009, the Company earned 2.7 per cent more income from IT commercial activity than in 2008. The growth of income is attributable to increased sales volumes of data transmission services over data transmission network based on next generation DWDM technology that was launched by the Company in 2008.

The optimisation of activities of the Information Technologies & Telecommunications Centre (ITTC), which was started in 2008 and completed at the beginning of 2009, also had an impact on the profitability of ITT commercial activities, which, compared with 2008, also increased.

With a view to reducing electricity consumption, server facilities were optimised during 2009 by replacing outdated and non-efficient servers and implementing visualization solutions.

During nearly three months in 2009, ITTC implemented in the new subsidiaries the following systems: personnel accounting system; employee payroll, finance and business management system SCALA; document management system "Kontora", and collective work system "Exchange".

In order to ensure successful functioning of the electricity market, in 2009, ITTC developed and implemented an information exchange system between Baltpool and the Scandinavian power exchange Nord Pool Spot, which is compliant with ETSO standards. The bilateral contracts system was improved and implemented for the purpose of electricity trade in Lithuania on the basis of bilateral contracts between electricity generators and suppliers.

A high-resolution display system for technological purposes was implemented for Eastern Dispatch Control Group, designed for representing electricity grid status in dispatch control systems.

During 2009, the Company implemented a package of IT security measures protecting from loss of information and/or unauthorised use of information (encryption of important computer data, management of the rights to access, provide and delete information in the electronic space).

In 2009, the Company continued the development of DWDM network topology. Projects were launched for interconnection of networks using DWDM technology with telecommunication operators in Kaliningrad.

The adaptation of corporate ITT services designed to support the Company's operations for the provision to other companies within the group enabled to use the existing ITT infrastructure more efficiently and to earn additional income without increasing operating expenses.

#### *1.6.6 Subsidiaries*

The main activities of the second largest company of the Group – Kauno energetikos remontas UAB – are comprised of energy equipment diagnostics, upgrade, repair, installation, manufacturing of spare parts for energy equipment, manufacturing of metal structures for energy and industrial purposes, manufacturing of spare parts for boilers and engines, and manufacturing of hermetic oil transformers. The main activities of the company are carried out in four workshops: Boiler Manufacturing, Turbine Manufacturing, Mechanical and Electric, in five laboratories and Metal and Welding departments.

Kauno energetikos remontas UAB has direct influence over Gotlitas UAB (it controls 100 per cent of the shares of this company). The main activity of Gotlitas UAB is accommodation services (hotel and hostel), letting of premises and trade activities. A subsidiary in Russia OOO Kaliningradskij energoremont was sold to a third party on 2 June 2009.

Due to a decrease in the number of orders as a result of the start of economic downturn, the revenue of UAB Kauno energetikos remontas dropped by 61.8 per cent, compared with 2008.

The main activities of Energetikos pajėgos UAB comprise of technical research and development, architectural and engineering services. The Company prepares designs for construction, rehabilitation and refurbishment projects, provides technical engineering consultations and prepares energy development schemes for special territorial planning purposes. The company renders more than 80% of such services to the Group companies.

The purpose of activity of Kruonio investicijos UAB is the development of public, engineering and recreational facilities. The main line of its activities is the preparation and implementation of the investment project for Kruonis PSP territory. In 2009, Kruonio investicijos UAB did not engage in active business.

Energijos tiekimas UAB was established at the end of 2009 and did not engage in active business. The main activity of Energijos tiekimas UAB is independent supply of electricity, including supply, planning, forecasting, balancing, purchase, sale, import, export of electricity and other activities directly related to such activities. From the beginning of 2010, the objective of the company is to carry out actively the operations of an independent supplier on the domestic electricity markets of Lithuania, Latvia and Estonia.

Litgrid UAB was established at the end of 2009 and did not engage in active business. The main function of Litgrid UAB as the transmission system operator is to ensure efficient and reliable operation of the Lithuanian electricity system.

Baltpool UAB was established at the end of 2009 as a subsidiary of Litgrid UAB, the operator of the Lithuanian electricity market. Its main function is to organise trade in electricity. In 2009, Baltpool UAB did not engage in active business.

InterLinks UAB was acquired by the Company by Resolution of the Board of the Company of 7 October 2009. The main project being developed by Interlinks UAB is interconnection between Lithuanian and Swedish power transmission systems.

Public Institution National Energy Training Centre is a vocational training centre for adults operating branches in Kaunas, Klaipėda, Šiauliai, Panevėžys, Utena and Ukmergė. During the year, about 10 000 persons, including staff of different agencies, private individuals and the unemployed registered in labour exchanges, attend training courses of various duration. It was launched as far back as in 1964; in 1983, the construction of a specialised training centre facility for energy specialists was started.

### *1.6.7 Investments into property, plant and equipment and intangible fixed assets*

In 2009, the Company's investments into property, plant and equipment and intangible fixed assets amounted to LTL 108.5 million. The Company mainly used its own funds for the financing of investments.

Investment trends in 2009 remained the same as in the previous year: reconstruction and construction of the transmission grid (LTL 53.1 million invested), upgrade and development of IT systems, telecommunications and control systems, implementation of technological measures, acquisition of hardware and software (LTL 9.8 million invested), rehabilitation and development of power plants (LTL 39.1 million), construction and reconstruction of non-production buildings and acquisition of other fixed assets (LTL 6.5 million invested).

One of the key objectives of the Company is the integration of the Lithuanian energy system into the electricity market of Western Europe, and the development of regional cooperation. In developing this cooperation, at the beginning of 2008, the Company and the management of PSE Operator (Poland) signed the shareholders agreement of LitPol Link Sp. z.o.o. In 2009, LitPol Link Sp. z.o.o. carried out preparatory work in implementing the project of Lithuanian-Polish power interconnection.

Lietuvos energija AB and Swedish transmission system operator Svenska Kraftnät continued the implementation of preparatory work for the project of interconnection of Lithuanian and Swedish power grids. This project will result in the connection of the Lithuanian and the Scandinavian energy markets and increased safety of electricity supply to Lithuania and the Baltic States.

### *1.6.8 Plans and forecasts for the Group's operations*

The operational plans and forecasts relating to 2010 were based on the following several main assumptions: global changes on the market (a decrease in GDP, an increase in the price of electricity); unbundling of the activities of the transmission system operator and establishment of the market operator; electricity generated in Kaunas and Kruonis power plants is traded on the exchange at market prices; the Company imports electricity.

It is estimated that the financial indicators of the Group for 2010 will be worse than in 2009 because, following the shutdown of Ignalina NPP, the Company will no longer be able to export electricity, and the additional switchyards taken over will boost the Company's expenses.

It is anticipated that performance indicators of Kauno energetikos remontas UAB will improve along with the recovery of the Lithuanian economy.

In 2010, the Company proposes to allocate LTL 170.8 million for investment, including investment in strategic infrastructure interconnection projects.

Subsidiaries are not planning any significant investments.

# 2 Risk factors related to the issuer's operations

### 2.1 Political risk factors

The Company operates in the energy sector regulated by the Republic of Lithuania Law on Electricity. Therefore it is necessary to assess the impact of amendments to the above-mentioned Law and other legal acts on the Company's activities and its performance results.

The price cap for electricity transmission services is set by the Commission; specific prices are approved by the Board of the Company. The Company's performance results may depend on such decisions. For example, when setting the price cap for electricity transmission service for the period of 2005–2007, an increase in amortization and depreciation expenses resulting from assets valuation at their real values was not included in the price.

The Extraordinary Shareholders Meeting held on 8 September 2009 resolved to approve of the resolution of the Board of the Company on the establishment of subsidiaries, one of which would engage in electricity transmission, the other in electricity supply. Such actions are undertaken in view of the requirements of Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity. In accordance with the Directive, where the transmission system operator is part of a vertically integrated undertaking, it shall be independent at least in terms of its legal form, organisation and decision making from other activities not relating to transmission, i.e. the management of the transmission system should be separated from the generation and supply of electricity.

Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity provides that EU Member States should be given a choice from three options of unbundling activities of energy companies: full ownership unbundling of the transmission system, setting up an independent system operator or an independent transmission operator. Most EU Member States have already unbundled the activities of the transmission network from generation and supply. Lietuvos energija AB seeks to get prepared for all possible alternatives. A decision regarding the adoption of the specific alternative will be taken by the Government of the Republic of Lithuania. The Ministry of Energy of the Republic of Lithuania carries out state governance functions in the field of energy assigned to it by laws and other regulations, and implements state policies in this field.

### 2.2 Economic risks

The establishment of the subsidiary Litgrid UAB, the electricity transmission operator, in 2009 will lead to a change in the revenue structure of the Company. In 2010, the Company will engage only in electricity generation, electricity import/export, the sale of balancing energy, and the lease of the transmission grid to Litgrid UAB. The Company's activities are influenced to a large extent by the shutdown of Ignalina NPP because, due to a loss of a cheap energy generation source, the Company is deprived of income from electricity export. Economic stagnation will continue to have an adverse effect by causing a reduced demand for electricity.

### 2.3 Financial risks

The Group companies are facing financial risks in their operations, i.e. credit risk, liquidity risk and market risk (risks of foreign currency, interest rate in relation to fair value and cash flows, as well as security price risk). In managing the aforesaid risks, the Group companies seek to reduce the impact of factors that could have and adverse effect on the financial results of the Group and the Company.

#### *2.3.1 Credit risk*

The Company's credit risk related to accounts receivable is limited owing to the fact that the main purchasers of the Company are reliable customers. Credit risk may increase when active trade in electricity is started on the retail market. With a view to reducing this risk, plans are to implement a permanent customer monitoring system.

The credit risk related to funds held in bank accounts is limited because the Group and the Company carry out transactions through banks with high credit ratings assigned by international credit-rating agencies.

#### *2.3.2 Liquidity risk*

The liquidity risk is managed by planning the cash flows of the Group companies. In order to minimize the liquidity risk, cash flow forecasts are prepared. Overdraft and credit line agreements are used to manage the difference between the risks of late collection of receivables and short-term cash flows (proceeds and payments).

### *2.3.3 Market risk*

Interest rate risk

The income and cash flows of the Group companies are not exposed significantly to the fluctuations of the market interest rate. Interest rate risk is largely related to loans. The loans issued at variable interest rates expose the Group to cash flow interest rate risk. The Company and the Group have issued loans with variable interest rates.

According to the principles of financial risk management approved by the Group, interest expenses must be forecasted with sufficient precision for a period that is not shorter than the period of establishing the price cap of electricity transmission service (three years). The loan portfolio of the Group is formed on the basis of the following principle: at least 50% of all the loans must be at a fixed interest rate, the remaining loans must be at a variable interest rate.

The Group companies had fixed and variable interest rate loans. At the end of 2009, the Company had only fixed interest rate loans.

In 2009, the Company did not conclude any interest rate swap transactions.

Foreign exchange risk

In order to manage the foreign exchange risk, the Group concludes credit contracts only in the euro and the litas. The currency of sale/purchase transactions of the Group is also mainly the euro and the litas.

As of 2 February 2002, the litas is pegged to the euro; therefore, changes in foreign exchange rates do not have a significant impact on the Company's and the Group's equity.

The companies comprising the Group have no significant concentration of foreign exchange risk; therefore, they did not use any financial instruments facilitating control over the foreign exchange risk in 2009 and in 2008.

Security price risk

In 2009, the Company disposed of Lithuanian and Finnish government bonds and does not, therefore, encounter the security price risk.

### 2.4 Technical-technological risk factors

The Lithuanian power system has many interconnection lines with the neighbouring power systems. The available means of control of capacities and energy balances are not numerous, thus capacity and energy balance control is complicated. The power plants and electricity networks owned by the Company are not new. The major part of the electric lines shores were constructed more than 30 years ago and their lifetime has already reached the projected one. Key equipment of transformer substations is in better condition, because more than 30% of all equipment has been rehabilitated over the past several years.

The Company spent about 42% of its investments on the rehabilitation of the transmission grid, including the reconstruction of substations, with a view to increasing the reliability and efficiency of the power system and reducing the probability of accidents (in 2009, 10 reconstruction projects relating to reconstruction of substations were completed).

### 2.5 Ecological risk factors

There is a very low probability that the issuer's operations may be restricted or suspended as a result of damage to the environment. In the facilities operated by the Company that pose a higher risk of damage to the environment on account of emission of pollutants or the amount of waste generated, the Company operates in accordance with integrated pollution prevention and control permits issued by the regional environmental protection departments.

The most important issues of environmental protection to be dealt with by the Company are the following: safe storage of ecologically hazardous substances, integration of energy equipment and structures in the landscape, and maintaining the permissible fluctuations of water levels in Kaunas Lagoon and the Nemunas River below Kaunas HPP. Currently the Company complies with all applicable environmental protection requirements.

# 3 Analysis of the Group's financial and non-financial performance results, information related to environmental protection and human resources management

## 3.1 Analysis of financial performance results

### *3.1.1 Analysis of financial ratios*

The table below contains financial performance results of **the Company only,** as the principal company of the Group.

| **Financial results (in LTL thousand)** | **2009 report** | **2008 report** |
|---|---|---|
| Sales revenue | 1,520,489 | 1,455,887 |
| Other operating income | 26,683 | 26,407 |
| EBITDA (earnings before taxes + interest expenses - interest income - dividends + depreciation and amortisation + impairment* of assets and inventory) | 284,830 | 217,785 |
| Operating profit | 24,986 | 83,749 |
| Net profit | 28,994 | 44,911 |
| Cash flow from operating activities | 205,567 | 239,660 |
| Financial liabilities | 13,811 | 39,707 |
| Investments | 108,490 | 159,781 |
| Property, plant and equipment at the end of the year | 2.873.417 | 3,194,324 |
| | | |
| **Financial structure (ratio):** | | |
| Liabilities / equity | 0.20 | 0.28 |
| Financial liabilities / equity | 0.005 | 0.015 |
| Financial liabilities / assets | 0.004 | 0.012 |
| | | |
| **Loan coverage ratio:** | | |
| Interest coverage ratio EBIT (earnings before tax from continuing operations + interest expenses – interest income – dividends) / (interest expenses + loans due within one year) | 1.72 | 2.34 |
| **Interest coverage ratio** | | |
| EBIT (earnings before tax from continuing operations + interest expenses – interest income – dividends) / interest expenses) | 18.20 | 26.82 |
| | | |
| **Margins and profitability:** | | |
| Return on equity (net profit/ equity capital) (%) | 1.09% | 1.68% |
| Return on assets (net profit/assets) (%) | 0.91% | 1.31% |
| Earnings per share (cents per share) | 4.21 | 6.5 |

* Impairment of investments into associated and subsidiary undertakings is excluded from the calculations.

A decrease in the earnings of the Company was mainly influenced by impairment of property, plant and equipment of LTL 81.0 million, taking into account a drop in the construction indexes, and increased depreciation of property, plant and equipment in 2009. This accounted for worse profitability ratios.

Profitability ratios are not high, but this is basically due to the specificities of the Company's operations, i.e. the principal activities of the Company are regulated, and when setting the price for electricity transmission service, the minimum profit margin is included in the price.

After the Company redeemed the bonds, the debt ratio (financial liabilities/equity) decreased; the level of the Company's indebtedness remains low. Loan coverage and interest coverage ratios are significantly above 1, i.e. the Company's cash flows enable to settle financial liabilities in full.

In 2009, return on equity of Kauno energetikos remontas UAB group dropped from -20.2 per cent to -32.6 per cent mainly due to a decrease in orders.

### *3.1.2 Statement of financial position*

In accordance with the provisions of International Financial Reporting Standards and in implementing the general methods of accounting for assets used by LEO LT, AB group of companies, according to which the Company's assets must be carried at revalued amount, independent property appraisers UAB OBER HAUS evaluated property, plant and equipment of the Company at LTL 3.126 billion as disclosed in the Financial Statements for the year ended 31 December 2008. The management has revised property, plant and equipment accounting values as of the date 31st December 2009 using revaluation method. The Company applied statistical construction price change indexes (12,27% for the building group and 9,68% for other property, plant and equipment groups) in respect of categories of property, plant and equipment that at 31 December 2008 were revalued based on depreciated replacement cost. In addition the Company's and Group's property, plant and equipment mainly real estate that as at 31 December 2008 was revalued using comparative prices method, was revalued at 31 December 2009 based on fair value changes of industrial real estate in Lithuania by region in 2009 provided by an independent valuer UAB Ober-Haus Nekilnojamasis Turtas. The value of material asset was dimished by 232,7 mln.Lt. No independent asset evaluation was performed as by 31st December 2009.

On 3 December 2009, the Company granted a loan to the parent company LEO LT, AB. At the end of 2009, the amount of LTL 73.3 million is reflected on the Company's statement of financial position under amounts receivable.

Grants include financing funds received from various sources when implementing investment projects. In August 2009, the amount of grants increased due to replacement of two overhead transmission lines with an underground cable.

During 2009, the Company did not conclude any new loan agreements. During 2009, a total decrease in the Company's financial liabilities was LTL 25.9 million, and as of 31 December 2009, they amounted to LTL 13.8 million.

In 2005, under guarantee agreements the Company secured the discharge of 25% of liabilities of Nordic Energy Link AS to Nordic Investment Bank (LTL 45 750 000) and to SEB Eesti Uhispank AB (LTL 26 759 000). The Company carried such guarantees at fair value: in the statement of financial position as of 31 December 2009, the carrying amount of guarantee obligations was LTL 996 000 (as of 31 December 2008 - LTL 1 304 000). The Company did not account for any additional provisions related to such guarantees.

The debt of Kauno energetikos remontas UAB to Nordea bank amounted to LTL 0.4 million; the debt to Nordea and SEB banks comprising short-term and long-term leasing liabilities relating to equipment and vehicles amounted to LTL 2.1 million.

At the end of 2009, InterLinks UAB owed the Company LTL 0.7 million.

Other subsidiaries did not have any financial liabilities to banks.

### *3.1.3 Statements of comprehensive income*

<u>Revenue</u>

In 2009, revenue from sales and other operations of the Group amounted to LTL 1.569 billion and was 2.5 percent higher than in 2008. In 2009, trade volumes of the Group via auction were 41 per cent lower compared with 2008; however, revenue from PSO was 60 per cent higher (due to an increase in the PSO tariff) and revenue from other operations was 31.7 per cent lower (due to a decrease in the sales of Kauno energetikos remontas UAB). A decline in revenue was also caused by a lower level of electricity consumption on the domestic market.

The sale of PSO represented the largest portion in the revenue structure, i.e. 39.7 per cent of the total revenue of the Group. The Company's revenue from its principal activities, i.e. transmission system operator's activities, was LTL 356 million (along with capacity reserve service), or 22.7 percent of the total revenue of the Group. Compared with 2008, such revenue decreased by 5.1 percent due to the volumes of electricity transmission on the domestic market.

Sales revenue of UAB Kauno energetikos remontas group (in the consolidated financial statements of Lietuvos energija AB this revenue is shown under revenue from other operations) decreased to LTL 22.0 million, or by 61 per cent, compared with 2008. The company derives the main portion of its sales revenue from the repair, installation and modernisation of energy equipment and manufacturing and installation of spare parts and metal structures.

Energetikos pajėgos UAB mainly provided services to the Group companies. The revenue of the company remained on the level of 2008 and amounted to LTL 2.1 million. Kruonio investicijos UAB did not earn revenue from sales. During the financial year, VšĮ Energetikų mokymo centras derived income of LTL 4.1 million.

Expenses

In 2009, the expenses of the Group amounted to LTL 1.552 billion. The biggest portion of expenses of the Group (LTL 1.17 billion, or 75.4%) was incurred in connection with the purchase of electricity or related services; depreciation and amortisation amounted to LTL 178.8 million; salary expenses and related expenses amounted to LTL 64.4 million.

Expenses incurred by the subsidiaries represented an insignificant portion in the total expenses of the Group – 1.9%.

Profit

In accordance with International Financial Reporting Standards, in 2009 the Group's profit before tax from continuing operations amounted to LTL 24.9 million, net profit from continuing operations amounted to LTL 20.6 million.

The Company's net profit from continuing operations amounted to LTL 29.0 million, loss of Kauno energetikos remontas UAB group amounted to LTL 7.75 million, net profit of Energetikos pajėgos UAB amounted to LTL 0.23 million, Kruonio investicijos UAB sustained a loss of LTL 0.18 million, InterLinks UAB sustained a loss of LTL 1.9 million (the results of the subsidiaries include revenue from services rendered within the Group).

### *3.1.4 Cash flow statement*

Net cash flow from operating activities of the Group amounted to LTL 203.3 million, whereas in 2008 it amounted to LTL 239.1 million.

In 2009, net cash flow from investing activities of the Group amounted to LTL (191.3) million (in 2008, LTL (135.0) million). In 2009, cash flow from financial activities of the Group amounted to LTL (28.3) million (in 2008, LTL (51.9) million).

Net decrease in the cash flow of the Group in 2009 amounted to LTL 16.3 million, whereas in 2008 there was an increase of LTL 51.9 million.

### *3.1.5 Main features of internal control and risk management systems*

The Company receives financial reports from the subsidiaries monthly and then conducts the analysis of such reporting. The Company consolidates the financial statements of the subsidiaries. The Chief Financier of the Company oversees that financial statements are properly consolidated and prepared and ensures that the data of the Group companies are collected in a timely and proper manner. The prepared consolidated financial statements are reviewed by the Director of Finance Department. The preparation of the financial statements of the Company, the internal control and risk management systems, and the legal acts governing the preparation of consolidated financial statements are subject to control and management.

## 3.2 Personnel

At the end of 2009, the group employed 1 227 persons. The employees of the Company accounted for 73 per cent of the total number of employees, those of Kauno energetikos remontas UAB group accounted for 21.6 per cent of the total number of employees. In addition to the above-mentioned employees, VšĮ Energetikų mokymo centras employed other 109 persons with whom hourly employment contracts were concluded.

In 2009, the statistical turnover of employees in the Company was approx. 17.4%, including retirements due to age, termination of time-limited employment contracts, dismissals by mutual agreement of the parties and initiated by the employer, etc. The actual turnover of employees when the employment contract was terminated by the employee after s/he had found another job or due to other personal reasons was 2.5%.

The Company's office staff represent approx. 67%, and workers 33% of the Company's personnel. More than 57% of the personnel have higher education.

In 2009, the Company launched 19 projects in different fields of activity: organisational development, strengthening the purchasing function, unbundling of activities, network development, budgeting development, review of pricing, and other projects. In addition to their immediate functions, a large number of the Company's employees were involved in those projects. This provided an opportunity not only for active participation in optimising the Company's processes and operations, but also for showing initiative and for self-improvement.

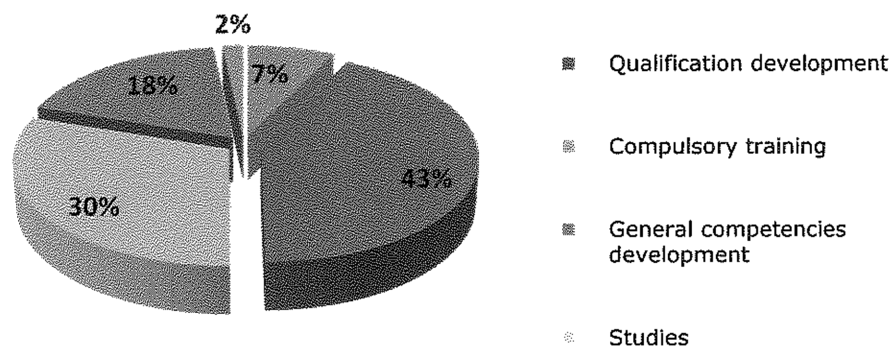
In 2009, the Company continued to seek ways of improving the efficiency of activities by making changes to the internal structure. Arrangements were made for the unbundling of the activities of the transmission system operator in implementing the 2nd EU energy liberalisation package.

Changes taking place in the Company result in higher requirements not only for professional, but also general, financial and managerial competencies.

The Company gives much attention to the maintenance and updating of the qualification of its personnel. The professional development of the Company's employees is carried out along the following five lines: compulsory training (certifications, examinations, training courses in order to obtain licenses and permits to perform certain works), improvement of professional qualification (trainings designed for the maintenance and update of technical/technological competencies in connection with modernisation of equipment, change of technologies, etc.), vocational studies of employees at higher education establishments/universities, as well as enhancement of personal skills and management competencies (seminars for the development of leadership, management skills, quarterly management forums), trainings on new equipment and technologies required for the implementation of investment projects.

In 2009, approximately LTL 519 000 was spent on employee qualification improvement (included in this amount is about LTL 390 000 spent on compulsory training and professional development). Moreover, the specialists of the Company had the opportunity to gain experience in foreign electric power companies and to improve their qualification during the implementation of investment projects.

Allocation of funds in 2009, by group of trainings:




Lietuvos energija AB and Kauno energetikos remontas UAB have collective agreements signed between the employer and employees' representatives. In addition to mandatory guarantees prescribed by various legal acts of the Republic of Lithuania, employees are provided with additional guarantees under collective agreements, including medical services, allowances on the occasion of personal anniversaries, when a child is born, support in the event of an accident, additional vacation days and for various purposes (for length of service, etc.). The Company maintained and furthered a dialogue with employees' trade unions and complied with all the provisions of the collective agreement.

In 2009, a targeted approach was adopted in the development of the organisational culture – organisational values were crystallized; team/sporting and cultural events were held for the employees.

The project on the development of the system of remuneration was launched in the Company, aimed at achieving a clear, transparent and understandable system of remuneration and a defined package of additional benefits and the procedure for entitlement to such benefits.

### 3.3 Environmental protection

The Company carries out its operations with due regard and responsibility towards environment, seeking to sparingly use natural resources, to implement new, eco-friendly technologies in its production activity, to operate in line with the requirements of the environmental laws and standards, to implement in a professional manner preventive measures decreasing negative impact on the environment.

#### *3.3.1 Waste management*

The Company organised waste management by hiring companies having relevant licences for this type of activity. The main types of generated hazardous waste are as follows: transformer oils and waste resulting from their use (waste water contaminated with oil, sludge collected in water treatment facilities and contaminated with oil products, oil waste not suitable for further use, emulsion of compressor oil and water, oil contaminated absorbents and wipers), batteries, luminescent lamps, tires, etc.

In 2009, 111 tonnes of hazardous waste, 36 tonnes of reinforced concrete and porcelain insulator waste to be processed for the production of break stone which is used in road construction, 685 tonnes of ferrous scrap metal and 41 tonnes of non-ferrous scrap metal were handed over for recycling. Kruonis and Kaunas power plants sort the following municipal waste: paper and cardboard paper waste is separated from the municipal waste stream. In 2009, 2.54 tonnes of waste paper products were collected.

In 2009, total expenses for waste management amounted to LTL 82 000.

#### *3.3.2 Waste water management*

The Company regularly monitors the permitted levels of pollution from point sources (waste water) specified in the integrated pollution prevention and control permit and Waste Water Management Regulation. The services of regular maintenance of rainwater and household waste water treatment facilities (regeneration and replacement of filters, disposal of sludge, etc.) are purchased from specialised companies.

In 2009, total expenses for waste water management amounted to LTL 63 000.

#### *3.3.3 Preventive measures to ensure safe environment*

Integrated pollution prevention and control permits have been obtained for four facilities operated by the Company (Kaunas HPP, Kruonis PSP, Alytus TS and the Civil Safety Facility (Dubingiai)), where, in accordance with the defined criteria, there is a higher probability of pollution. Calculations of emissions from point and mobile pollution sources and stocktaking of taxable products, taxable packaging and chemical substances is regularly performed; internal audits of the management of chemical substances and preparations used and waste and waste water generated in the Company's activities is carried out.

Where possible, during reconstruction, environmentally hazardous substances are replaced with environmentally friendly substances or substances that are less hazardous to the environment. For example, a 50 per cent propylene glycol solution (2 tonnes), which is not hazardous to environment and health, is used for the heating system of Kaunas HPP dam. Environmentally friendly oil "Shell neutrele oil" is used for hydraulic elevators. Environmentally friendly water based substances are used in substations for cleaning (neutralising) surfaces contaminated with oil.

Environmental protection requirements are set for the undertaken investment projects involving the construction and reconstruction of substations, environmental impact assessment is carried out for the designed electricity transmission lines. In 2009, environmental impact assessment was carried out in respect of the designed 330 kV electricity transmission line Telšiai–Klaipėda taking into account all requirements of the institutions concerned, and the route was selected having regard to the preferences of the majority of the population. When works are procured, contractors are obligated to handle construction waste.

# 4 References and additional explanations about data presented in the Consolidated Financial Statements

More detailed explanations of financial information are provided in the Explanatory Notes to the Financial Statements for the year 2009.

# 5 Significant events after the end of the financial year

In accordance with the requirements of the EU legislation on electricity market liberalisation to unbundle activities, on 28 December 2009, the following operating licences were issued to the subsidiaries of Lietuvos energija: LITGRID UAB was granted a licence of the electricity transmission system operator, BALTPOOL UAB was granted a licence of the market operator. Lietuvos energija AB remains owner of the electricity transmission networks.

On 4 January 2010, LEO LT, AB who owns 664 700 833 (six hundred sixty-four million seven hundred thousand eight hundred thirty-three) shares in Lietuvos energija AB, publicly announced that the decision of the sole shareholder of LEO LT, AB dated 30 December 2009 to dissolve LEO LT, AB came into force as of 31 December 2009.

Taking into account the decision of 4 December 2009 to dissolve LEO LT, AB, on 29 January 2010, the Company's shareholders meeting adopted a decision to suspend the spin-off of the branches of the Company (Kaunas Hydro Power Plant and Kruonis PSP).

On 4 January 2010, the authorised capital of LITGRID UAB was increased by issuing 9 247 612 new ordinary registered shares of 1 litas nominal value each.

# 6 Information on research and development activities of the Group companies

With the purpose to facilitate the implementation of the technically and economically sound investment policy, the Company prepares programs aimed at increasing the power system's efficiency and its development. Such programs are mainly implemented using investments allocated for the construction of new energy facilities or the development or modernisation of the existing energy facilities. One of the main goals is the refurbishment of energy facilities by replacing the existing equipment with new and modern ones and by implementing up-to-date relay protection, system automation, control, and information collection and transmission systems.

The Company prepared the perspective plans of new construction and reconstruction works in compliance with the National Energy Strategy approved by the Seimas of the Republic of Lithuania, completed studies and other research. Annual investment plans are made on the basis of long-term plans.

In 2009, the Company purchased research studies for LTL 165 300. The study entitled "Investigation of Dynamic Regimes of the Perspective Lithuanian Power System Scheme for 2025" was prepared which provided the models of perspective schemes of the Baltic power system (EPS) and the neighbouring power systems of Belarus, North-West Russia, Central Russia, the Ukraine, Kaliningrad, UCTE and NORDEL, and the analysis of heavy regimes of EPS for 2025 involving maximum capacity export, import and transit. An investigation was conducted of weaknesses of the Baltic EPS scheme for 2025 in post-accident N-2 type regimes in different scenarios of synchronous interconnection with the neighbouring EPSs.

A study was also conducted to evaluate the technical condition of the transmission grid and distribution networks and to estimate future investments. The purpose of the study was to evaluate the technical condition of the transmission grid and distribution networks and to provide recommendations on the renovation and reconstruction of the grid.

# 7 Number and nominal value of the shares of the parent company, owned by the company itself, its subsidiaries or persons, acting on assignment thereof, but on their own behalf

The Company has not acquired its own shares. The subsidiaries have not acquired any shares of the Company either.

# 8 Other information about the issuer

### 8.1 Structure of the issuer's authorised capital (number of shares, nominal value of one share, classes of shares, rights and obligations granted by each class of shares, percentage comprised by individual class of shares in the entire share capital)

The authorised capital of the Company registered in the Register of Enterprises on 21 February 2002 amounts to 689 515 435 litas. It is divided into 689 515 435 ordinary registered shares of one litas nominal value each. All the shares are fully paid up.

All the shares of the Company are ordinary registered shares of a single class granting equal rights to their owners (shareholders).

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

- to receive a part of the Company's profit (dividend);
- to receive a part of assets of the Company in liquidation;
- to receive shares without payment if the authorised capital is increased from the Company's funds, except in the cases when the Republic of Lithuania Law on Companies provides otherwise;
- to have the pre-emption right to acquire newly issued shares or convertible debentures of the Company, except the case where the General Shareholders Meeting decides to withdraw the pre-emption right for all the shareholders in accordance with the procedure provided for by the Republic of Lithuania Law on Companies;
- to lend to the Company in the manner prescribed by law; however, when loan from its shareholders, the Company has no right to pledge its assets to the shareholders. When the Company borrows funds from the shareholders, the interest rate must not exceed the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect at the time of signing the

loan agreement. In such a case the Company and the shareholders shall be prohibited from negotiating a higher interest rate;
- to dispose of all or a part of the shares to other persons;
- to request that other shareholders sell their shares to him or that other shareholders buy his shares on a mandatory basis in the cases and according to the procedure set forth by the Law on the Securities Market;
- other property rights established by law.

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

- to attend General Shareholders Meetings;
- to vote at General Shareholders Meetings in exercise of the voting rights carried by their shares. One ordinary registered entitles to one vote;
- to obtain information on the Company to the extent defined by law;
- to file a claim with the court for reparation of damage to the Company resulting from nonfeasance or malfeasance by the Company's manager and Board members of their duties prescribed by law and the Articles of Association, as well as in other cases laid down by law;
- other non-property rights established by law.

### 8.2 Number, nominal value and portion of the authorised capital comprised by own shares, acquired and transferred during the reporting period

During the reporting period, the Company did not acquire or dispose of its own shares.

### 8.3 Any restrictions on transfer of securities (e.g., restrictions applied to blocks of securities or requirements for obtaining the approval of the Company or other owners of securities)

None.

### 8.4 Shareholders (total number of shareholders; shareholders owning or controlling at the end of the reporting period (specify the date) more than 5 percent of the issuer's authorised capital (names, surnames of natural persons (hardcopy of the annual report submitted to the Commission must in addition contain personal codes of these individuals), names of companies, legal forms, company codes, office addresses), number of shares owned by shareholders by class, portion of the authorised capital and of votes held in percent; specify the percentage of votes granted by shares owned by each individual and the percentage of indirectly held votes separately)

The total number of shareholders is 5 866. The shareholders as of 31 December 2009 holding more than 5% of Lietuvos energija AB share capital:

| Company | Type of shares | Number of shares | Share of the authorised capital (%) | Voting interest (%) |
|---|---|---|---|---|
| LEO LT, AB<br>Company code 301732248,<br>Žvejų g. 14A, Vilnius | Ordinary registered shares | 664 700 833 | 96.4012 | 96.4012 |

### 8.5 Shareholders holding special rights of control and descriptions of these rights

None.

### 8.6 Any restrictions on voting rights (e.g., restrictions on voting rights of persons holding a certain percentage or number of votes, deadlines by which the voting rights may be exercised or schemes according to which property rights granted by securities are separated from possession of securities)

None.

### 8.7 All mutual agreements of shareholders of which the issuer is aware and due to which the transfer of securities and (or) voting rights might be restricted

None.

### 8.8 Information about branches and representative offices of the Company

As of 31 December 2009, the Company had two branches: Kaunas HPP and Kruonis PSP. The branches are operating according to the regulations of the relevant branch approved by the Board of the Company.

### 8.9 Employees (average number of employees, changes over the last financial (business) year, determinants of important changes (more than 10 per cent), grouping of employees by education, number of executive personnel, specialists and workers, average monthly salary of each group of employees before taxes, special rights and obligations of the issuer's employees or any part thereof laid down in employment or collective agreements)

#### *8.9.1 Changes in the average number of employees on the payroll during the past three financial years*

At the end of each year covering the period from 2007-2009, the Company employed the following number of persons:

| | 31 December 2007 | 31 December 2008 | 31 December 2009 |
|---|---|---|---|
| Total | 1 130 | 967 | 889 |
| of which: | | | |
| - power plants | 277 | 273 | 206 |
| - head office and divisions of the transmission network | 853 | 694 | 683 |

At the end of 2009, the Group employed:

| | 31 December 2009 |
|---|---|
| Total | 1 227 |
| of which: | |
| - Company | 889 |
| - Energetikos pajėgos UAB | 22 |
| - VšĮ Energetikų mokymo centras | 41 |
| - Kauno energetikos remontas UAB group | 265 |
| - Kruonio investicijos UAB | 1 |
| - Litgrid UAB and Baltpool UAB | 3 |
| - Energijos tiekimas UAB | 3 |
| - InterLinks UAB | 3 |

Composition of employees by type of work (as of 31 December 2009):

- Office staff - 67%
- Workers - 33%

### *8.9.2 Average number of employees and average monthly salaries*

| | **2007** | | **2008** | | **2009** | |
|---|---|---|---|---|---|---|
| | **Average relative number of employees** | **Average salary (LTL)** | **Average relative number of employees** | **Average salary (LTL)** | **Average relative number of employees** | **Average salary (LTL)** |
| Workers | 399 | 2 107 | 374 | 2 318 | 305 | 2 190 |
| Office staff | 699 | 3 412 | 678 | 3740 | 559 | 3 665 |
| **Executive personnel** | 6 | 19 203 | 5 | 18 186 | 6 | 18 251 |
| **Total** | 1 104 | 3 025 | 1057 | 3 342 | 870 | 3 258 |

** Before severance pay*

### *8.9.3 Breakdown of the Company's employees by educational background at the end of the period*

| | **2007** | **2008** | **2009** |
|---|---|---|---|
| Number of employees | 1 130 | 967 | 889 |
| of which have: | | | |
| higher education | 579 | 510 | 508 |
| post-secondary education | 255 | 327 | 281 |
| secondary education | 275 | 114 | 91 |
| incomplete secondary education | 21 | 16 | 9 |

### 8.10 Procedure for amendment of the issuer's Articles of Association

The Company's Articles of Association are amended according to the procedure prescribed by the Republic of Lithuania Law on Companies by decision of the General Shareholders Meeting adopted by at least a 2/3 majority of all the votes carried by the shares held by the shareholders attending the meeting. If the General Shareholders Meeting resolves to amend the Articles of Association, a new version of the amended Articles of Association is prepared and signed by the person authorised by the General Shareholders Meeting.

### 8.11 Issuer's bodies (authorisations, procedure for their appointment and substitution)

A new version of the Company's Articles of Association was approved in the Extraordinary General Shareholders Meeting held on 23 October 2009, which was entered in the Register of Legal Entities on 2 November 2009 in accordance with the procedure prescribed by law.

The Company bodies are the following:
- General Shareholders Meeting;
- the Board;
- the head of the Company.

By virtue of Article 22 of the Company's Articles of Association, the competence of the General Shareholders Meeting is different from the competence of the General Shareholders Meeting prescribed by the Law on Companies. At least 2/3 of the Company's shares and voting rights at the General Shareholders Meeting of the Company are held by LEO LT, AB. The transmission grid and its appurtenances owned by the Company are energy facilities of national importance that must be directly or indirectly (through LEO LT, AB) controlled by the Republic of Lithuania.

The Board of the Company is the supreme and permanent governing body of the Company. The competence of the Board, the decision-making procedure and the procedure for election and removal from office of Board members is established by laws, other legal acts and the Articles of Association.

The Board, which is comprised of 5 (five) members, is elected by the General Shareholders Meeting for a term of 4 (four) years. The Board elects the Chairman of the Board from among its members. If the Board is recalled, resigns or suspends its duties due to other reasons before expiration of its term, a new Board is elected for the remaining term of the Board that it replaces. Where individual Board members are elected, they are elected only for the remainder of the term of office of the existing Board.

When proposing candidacies for membership of the Board, the Company's shareholder (shareholder's proxy) proposing the same must provide the General Shareholders Meeting with written explanations as to qualification, managerial work experience and suitability of each proposed Board member to serve on the Board of the Company.

The Board of the Company takes decisions for the Company to become an incorporator or member of other legal entities; decisions regarding the restriction of any transfer of shares (interests, member shares) held by the Company and the rights attaching to them; decisions to open and terminate activities of the branches or representative offices of the Company; decisions to issue debentures; sets state regulated electricity prices and transmission service prices; in certain cases its decisions are subject to approval of the General Shareholders Meeting.

The Board elects and removes from office the head of the Company. The head of the Company is the General Director who organises current business activities of the Company and performs other functions prescribed by the laws or the Articles of Association.

### 8.12 Members of collegial bodies, head of the company, Chief Financier (names and surnames (hardcopy of the annual report submitted to the Commission must in addition contain the personal codes of these persons), information about participation in the issuer's authorised capital, beginning and expiry of each person's term of office, information about amounts of money accrued by the issuer during the reporting period, other assets transferred and guarantees given to these persons in general as well as average amounts per one member of collegial body, head of the company and Chief Financier)

Prior to Extraordinary General Shareholders Meetings held on 23 June 2009 and 23 October 2009, members of the collegial bodies, the head of the Company and the Chief Financier of the Company were the persons listed below.

| Position | Name and surname | Start date | End date | Number of issuer's shares held |
|---|---|---|---|---|
| Board | | | | |
| Chairman of the Board | Darius Masionis | 04.12.2008 | 22.06.2009 | - |
| Board member | Aldona Jakutienė | 04.12.2008 | 22.06.2009 | - |
| Board member | Mindaugas Jablonskis | 04.12.2008 | 22.06.2009 | - |
| Board member | Vidmantas Grušas | 04.12.2008 | 22.06.2009 | - |
| Administration | | | | |
| General Director | Darius Masionis | 14.07.2008 | 22.06.2009 | - |
| Chief Financier | Sigitas Baranauskas | 27.07.1998 | 15.05.2009 | - |
| Chief Financier | Tatjana Didikienė | 18.05.2009 | 22.06.2009 | |

After the Extraordinary General Shareholders Meeting held on 23 June 2009, members of the collegial bodies, the head of the Company and the Chief Financier of the Company were the persons listed below.

| Position | Name and surname | Start date | End date | Number of issuer's shares held |
|---|---|---|---|---|
| Board | | | | |
| Chairman of the Board | Aloyzas Koryzna | 23.06.2009 | 23.10.2009 | - |
| Board member | Valdas Bancevičius | 23.06.2009 | 23.10.2009 | 552 |
| Board member | Šarūnas Vasiliauskas | 23.06.2009 | 23.10.2009 | - |
| Board member | Aldona Jakutienė | 23.06.2009 | 23.10.2009 | - |
| Administration | | | | |
| General Director | Aloyzas Koryzna | 23.06.2009 | to date | - |
| Chief Financier | Tatjana Didikienė | 23.06.2009 | to date | - |

After the Extraordinary General Shareholders Meeting held on 23 October 2009, members of the collegial bodies, the head of the Company and the Chief Financier of the Company were the persons listed below.

| Position | Name and surname | Start date | End date | Number of issuer's shares held |
|---|---|---|---|---|
| Board | | | | |
| Chairman of the Board | Henrikas Bernatavičius | 23.10.2009 | to date | - |
| Board member | Aloyzas Koryzna | 23.10.2009 | to date | - |
| Board member | Arvydas Tarasevičius | 23.10.2009 | to date | - |
| Board member | Šarūnas Vasiliauskas | 23.10.2009 | to date | - |
| Board member | Vytautas Vazalinskas | 23.10.2009 | to date | |
| Administration | | | | |
| General Director | Aloyzas Koryzna | 23.10.2009 | to date | - |
| Chief Financier | Tatjana Didikienė | 23.10.2009 | to date | - |

Information about total and average amounts of salaries, bonuses and other payouts from profits, calculated by the Company during the reporting period, per person (the General Director and the Chief Financier are considered to be the Administration):

| | Salary for January-December 2009 (LTL) | Annual performance bonus for 2009 (LTL) | Bonuses received in 2009 (LTL) | Dividends received in 2009 (LTL) | Total (LTL) |
|---|---|---|---|---|---|
| Average amount per Board member | 300,050 | 15,111 | | | 315,161 |
| Total amount for all Board members | 900,150 | 45,334 | | | 945,484 |
| Average amount per one Company's Administration member | 330,667 | | | | 330,667 |
| Total amount for all Company's Administration members | 661,333 | | | | 661,333 |

**8.13 All agreements of the issuer and members of its bodies or employees, providing for compensation should they resign or be laid off without a justified reason or should their employment cease due to the change in issuer's control**

There are no agreements of this type.

**8.14 The issuers of equity securities in addition have to present information on major transactions between related parties and specify the amounts of the transactions, the nature of relations between the parties concerned and other information about transactions necessary to understand the financial status of the company, if the transactions were material or were concluded under unusual market conditions. Information on individual transactions may be generalised by type of transaction, except where additional information must be disclosed for the purpose of understanding the impact of transactions between related parties on the financial condition of the company. The term "related party" has the same meaning as in the accounting standards applied by the issuer.**

There are no such transactions.

**8.15 Information about compliance with the Corporate Governance Code**

Information about compliance with the Corporate Governance Code is appended as an annex hereto.

**8.16 Data on the publicly disclosed information. The annual report must also contain a summary of information that the issuer published in one or more Member States and third countries in the past 12 months for the purpose of discharging its obligations under the applicable legal acts governing the securities market, with the indication of where complete information may be obtained**

During 2009, the Company published the following notifications about material events:

| | |
|---|---|
| 28.12.2009 | National Control Commission for Prices and Energy adopted decisions regarding the licensing of activities of Lietuvos energija AB group of companies |
| 18.12.2009 | Lietuvos energija AB signed the ITC clearing and settlement agreement |
| 11.12.2009 | Agreement was signed with the transmission system operator |
| 11.12.2009 | Electricity market operator company BALTPOOL UAB was established |
| 04.12.2009 | Regarding the signing of the agreement with NDX energija UAB |
| 04.12.2009 | Regarding the granting of the loan |
| 27.11.2009 | Share purchase agreement was signed |
| 26.11.2009 | Information on the decision of the National Control Commission for Prices and Energy |
| 20.11.2009 | Lietuvos energija AB unaudited interim consolidated financial statements for the nine months of 2009 |
| 06.11.2009 | Contract was signed regarding the possibility of supplying electricity from the Ukraine |
| 03.11.2009 | Contract was signed regarding the feasibility study for the project of reconstruction and extension of Alytus substation |
| 29.10.2009 | Contract was signed regarding the administration of the electricity market |
| 23.10.2009 | Resolutions of the Extraordinary Shareholders Meeting of Lietuvos energija AB of 23 October 2009 |
| 22.10.2009 | Performance result of Lietuvos energija AB during nine months of 2009 |
| 22.10.2009 | Lietuvos energija AB established its subsidiary, the transmission system operator |
| 22.10.2009 | Contract was signed regarding territorial planning of the overhead line and environmental impact assessment procedures and the preparation of documents |
| 22.10.2009 | Lietuvos energija AB established its subsidiary, an electricity supply company |
| 15.10.2009 | The Board approved electricity transmission service prices and the procedure of their application and sumbitted it to the National Commission for Prices and Energy |
| 15.10.2009 | Regarding information published in the media |
| 15.10.2009 | Regarding information published in the media |
| 08.10.2009 | Supplemented agenda of the Extraordinary General Shareholders Meeting to be convened |
| 01.10.2009 | CORRECTION: Notice about the prepared terms of the spin-off of Kruonis PSP and Kaunas HPP |
| 30.09.2009 | Notice about the prepared terms of the spin-off of Kruonis PSP and Kaunas HPP |
| 29.09.2009 | Notice about the prepared terms of the spin-off of Kruonis PSP and Kaunas HPP |
| 23.09.2009 | Electricity supply agreement was signed |
| 18.09.2009 | Convening of the Extraordinary General Shareholders Meeting |
| 08.09.2009 | Resolutions of the Extraordinary Shareholders Meeting of Lietuvos energija AB |
| 25.08.2009 | CORRECTION: Lietuvos energija AB unaudited interim consolidated financial statements for the six months of 2009 |

| | |
|---|---|
| 25.08.2009 | Lietuvos energija AB unaudited interim consolidated financial statements for the six months of 2009 |
| 18.08.2009 | Supplemented agenda of the Extraordinary General Shareholders Meeting to be convened and the approved draft resolutions |
| 06.08.2009 | Convening of the Extraordinary General Shareholders Meeting of Lietuvos energija AB |
| 31.07.2009 | Performance result of Lietuvos energija AB in the first-half of 2009 |
| 31.07.2009 | Regarding the amendment to the Republic of Lithuania Law on the Nuclear Power Plant |
| 15.07.2009 | Lithuania, Latvia and Sweden submitted a tender to the European Commission for funding of the power link project |
| 10.07.2009 | Lithuania, Latvia and Sweden signed a Memorandum regarding the implementation of the NordBalt power link project |
| 25.06.2009 | Lietuvos energija AB signed the agreement on participation in the Lithuanian-Swedish power link project |
| 23.06.2009 | Aloyzas Koryzna was elected Chairman of the Board and General Director of Lietuvos energija AB |
| 23.06.2009 | Resolutions of the Extraordinary Shareholders Meeting of Lietuvos energija AB |
| 12.06.2009 | Approved draft resolutions of the Extraordinary General Shareholders Meeting to be convened |
| 12.06.2009 | Supplemented agenda of the Extraordinary General Shareholders Meeting to be convened |
| 10.06.2009 | Supplemented agenda of the Extraordinary General Shareholders Meeting to be convened |
| 28.05.2009 | Lietuvos energija AB unaudited interim financial statements for the three month period of 2009 |
| 25.05.2009 | Regarding electricity transmission tariff reduction |
| 22.05.2009 | Regarding information published in the media |
| 21.05.2009 | Convening of the Extraordinary General Shareholders Meeting of Lietuvos energija AB |
| 15.05.2009 | Q1 2009 performance results of Lietuvos energija AB |
| 30.04.2009 | Regarding the press release of LEO LT |
| 30.04.2009 | Resolutions of the Annual General Shareholders Meeting of Lietuvos energija AB |
| 17.04.2009 | Approved draft resolutions of the Annual General Shareholders Meeting of Lietuvos energija AB |
| 10.04.2009 | New Management Board of LEO LT, AB elected |
| 03.04.2009 | New Supervisory Board of LEO LT, AB elected |
| 27.03.2009 | Credit ratings on Lietuvos energija AB withdrawn |
| 27.03.2009 | Convening of the General Shareholders Meeting of Lietuvos energija AB |
| 26.03.2009 | Information regarding the resignation of the President of LEO LT, AB |
| 23.03.2009 | Information on the resignation of the Chairman of the Management Board of LEO LT, AB |
| 05.03.2009 | Regarding information published in the media |
| 04.03.2009 | Supplemented Lietuvos energija AB interim financial statements for 2008 |
| 03.03.2009 | Regarding the Ruling of the Constitutional Court of the Republic of Lithuania |
| 02.03.2009 | Preliminary consolidated unaudited performance results of Lietuvos energija AB group of companies for 2008 |
| 27.02.2009 | Regarding arbitration |
| 10.02.2009 | Regarding electricity sales reduction |
| 13.01.2009 | Regarding information published in the media |

All information about the material events published during 2009 is available on the website of Vilnius Stock Exchange at www.baltic.omxgroup.com/market/?pg=news and the Company's website at www.lietuvosenergija.lt.

# 9 Lietuvos Energija AB notice regarding compliance with the Corporate Governance Code for the Companies Listed on AB NASDAQ OMX Vilnius Stock Exchange

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

| PRINCIPLES/RECOMMENDATIONS | YES/NO | COMMENT |
|---|---|---|
| **Principle I: Basic Provisions**<br>**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 | |
| 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 | |
| 1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders. | YES | |
| 1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected. | YES | |
| **Principle II: The corporate governance framework**<br>**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 | There is no supervisory board in the company as controlling instrument. |
| 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 | |
| 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 | There is no supervisory board in the company as controlling instrument. |
| 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 | YES | |

| | | |
|---|---|---|
| should apply to the board as long as that does not contradict the essence and purpose of this body. | | |
| 2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. | YES | |
| 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. | YES | |
| 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 | |
| **Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting**<br>**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.** | | |
| 3.1. 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 | |
| 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 | |
| 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 | YES | |

| | | |
|---|---|---|
| are relevant to their service on the collegial body. | | |
| 3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy. | NO | Supervisory board of LEO LT, AB (mother company) had permanent Audit committee to implement the requirements of Audit law clause 52 which was valid since 31.12.2009. Audit committee formation is under construction in the company at the moment. |
| 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. | NO | Members of the boards are informed about the company activities in the management meetings. |
| 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 sufficient4 number of independent5 members. | YES | |
| 3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:<br>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;<br>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;<br>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);<br>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined | NO | One member of the board is the company employee, the other two members of the board are company managers of the related companies. |

| | | |
|---|---|---|
| in the Council Directive 83/349/EEC Article 1 Part 1);<br>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;<br>6) He/she is not and has not been, during the last three years, partner or employee of the current or former<br>external audit company of the company or associated company;<br>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;<br>8) He/she has not been in the position of a member of the collegial body for over than 12 years;<br>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<br>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. | YES | |
| 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 | There was no practice in the company to disclose the independence determination of collegial body. |
| 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 | There was no practice in the company to disclose the independence determination of collegial body. |
| 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 | YES | |

| | | |
|---|---|---|
| should approve the amount of such remuneration. | | |
| **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 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. | YES | |
| 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 | |
| 4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half9 of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified. | YES | |
| 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 | |
| 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 | YES | |

| | | |
|---|---|---|
| collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision. | | |
| 4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies.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 | |
| 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 committees11. 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 | Supervisory board of LEO LT, AB (mother company) had permanent Audit committee to implement the requirements of Audit law clause 52 which was valid since 31.12.2009. Audit committee formation is under construction in the company at the moment. |
| 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 | NO | Supervisory board of LEO LT, AB (mother company) had permanent Audit committee to implement the requirements of Audit law clause 52 which was valid since 31.12.2009. Audit committee formation is under construction in the company at the moment. |

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| as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence. | | |
| 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 | Supervisory board of LEO LT, AB (mother company) had permanent Audit committee to implement the requirements of Audit law clause 52 which was valid since 31.12.2009. Audit committee formation is under construction in the company at the moment. |
| 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 | Supervisory board of LEO LT, AB (mother company) had permanent Audit committee to implement the requirements of Audit law clause 52 which was valid since 31.12.2009. Audit committee formation is under construction in the company at the moment. |
| 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 | Supervisory board of LEO LT, AB (mother company) had permanent Audit committee to implement the requirements of Audit law clause 52 which was valid since 31.12.2009. Audit committee formation is under construction in the company at the moment. |
| 4.12. Nomination Committee.<br>4.12.1. Key functions of the nomination committee should be the following:<br>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. | NO | There is no Nomination committee formation practice in the collegial bodies. |

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| Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;<br>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;<br>3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;<br>4) Properly consider issues related to succession planning;<br>5) Review the policy of the management bodies for selection and appointment of senior management.<br>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee. | | |
| 4.13. Remuneration Committee.<br>4.13.1. Key functions of the remuneration committee should be the following:<br>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;<br>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;<br>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.<br>4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation.<br>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;<br>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); | NO | There is no Remuneration committee formation practice in the collegial bodies. |

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| 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.<br>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:<br>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;<br>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;<br>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.<br>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.<br>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.<br>4.14.1. Key functions of the audit committee should be the following:<br>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);<br>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;<br>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;<br>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;<br>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 | NO | Supervisory board of LEO LT, AB (mother company) had permanent Audit committee to implement the requirements of Audit law clause 52 which was valid since 31.12.2009. Audit committee formation is under construction in the company at the moment. |

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| 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;<br>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.<br>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.<br>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.<br>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.<br>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.<br>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 | | |

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| 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 | There is no determination made of the collegial body in the company as well there is no practice to publish such information. |
| **Principle V: The working procedure of the company's collegial bodies** **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.** | | |
| 5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting. | YES | |
| 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. | YES | |
| 5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution. | YES | |

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| 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. | NO | There is only company board in the company. |
| **Principle VI: The equitable treatment of shareholders and shareholder rights**<br>**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 | |
| 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 | |
| 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 | |
| 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 | |
| 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. | NO | Publish only in Lithuanian |
| 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 | YES | |

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| completing the general voting ballot. | | |
| 6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies. | NO | There is no practice to vote using electronic means. |
| **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 | |
| 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 | |
| 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 | |
| 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 | |
| **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 | NO | Remunerations of the board and administration bodies are published in the company annual report.<br>There is no practice to publish remunation policy report. |

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| statement as well as posted on the company's website. | | |
| 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 | There is no practice to pulish corresponded information. |
| 8.3. Remuneration statement should leastwise include the following information:<br>1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;<br>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;<br>3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;<br>4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;<br>5) Sufficient information on deferment periods with regard to variable components of remuneration;<br>6) Sufficient information on the linkage between the remuneration and performance;<br>7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;<br>8) Sufficient information on the policy regarding termination payments;<br>9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;<br>10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;<br>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;<br>12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;<br>13) Remuneration statement should not include commercially sensitive information. | NO | There is no practice to pulish corresponded 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 | There is no practice to pulish corresponded information. |
| 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. | NO | There is no practice to pulish corresponded information. |

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| 8.5.1. The following remuneration and/or emoluments-related information should be disclosed:<br>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;<br>2) The remuneration and advantages received from any undertaking belonging to the same group;<br>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;<br>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;<br>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;<br>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.<br>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:<br>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;<br>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;<br>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;<br>4) All changes in the terms and conditions of existing share options occurring during the financial year.<br>8.5.3. The following supplementary pension schemes-related information should be disclosed:<br>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;<br>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.<br>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate. | | |
| 8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met. | NO | There is no practice to pulish corresponded information. |
| 8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria. | NO | There is no practice to pulish corresponded information. |
| 8.8. Where a variable component of remuneration is awarded, a major part of the variable component | NO | There is no practice to pulish corresponded information. |

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| 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. | | |
| 8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated. | NO | There is no practice to pulish corresponded information. |
| 8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof. | YES | |
| 8.11. Termination payments should not be paid if the termination is due to inadequate performance. | YES | |
| 8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting. | NO | There is no practice to pulish corresponded information. |
| 8.13. Shares should not vest for at least three years after their award. | YES | Not applicable |
| 8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria. | YES | Not applicable |
| 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).<br>8.16. Remuneration of non-executive or supervisory directors should not include share options. | YES | Not applicable |
| 8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration. | YES | |
| 8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory. | YES | |
| 8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price | NO | No schemes alike are applied in the company and there is no practice to pulish corresponded information. |

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| 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. | | |
| 8.20. The following issues should be subject to approval by the shareholders' annual general meeting:<br>1) Grant of share-based schemes, including share options, to directors;<br>2) Determination of maximum number of shares and main conditions of share granting;<br>3) The term within which options can be exercised;<br>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;<br>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.<br>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 | No schemes alike are applied in the company and there is no practice to pulish corresponded information. |
| 8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval. | NO | No schemes alike are applied in the company and there is no practice to pulish corresponded information. |
| 8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting. | NO | No schemes alike are applied in the company and there is no practice to pulish corresponded information. |
| 8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on | NO | No schemes alike are applied in the company and there is no practice to pulish corresponded information. |

| | | |
|---|---|---|
| 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. | | |
| **Principle IX: The role of stakeholders in corporate governance** **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.** | | |
| 9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected. | YES | |
| 9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc. | YES | |
| 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: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • 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 | |
| 10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. | YES | |
| 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 | NO | There is no practice to pulish corresponded information. |

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

**STATEMENTS OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2009**
**All amounts in LTL thousand, unless otherwise stated**

| ASSETS | Notes | Group as at 31 December 2009 | Company as at 31 December 2009 | Group as at 31 December 2008 | Company as at 31 December 2008 |
|---|---|---|---|---|---|
| **Non-current assets:** | | | | | |
| Intangible assets | 4 | 2,455 | 2,360 | 3,149 | 3,144 |
| Property, plant and equipment | 5 | 2,811,945 | 2,779,451 | 3,149,671 | 3,104,690 |
| Prepayments for property, plant, equipment | | 9,648 | 9,648 | 21,244 | 21,244 |
| Investment property | 6 | 17,260 | 37,031 | 3,919 | 21,779 |
| Investments in subsidiaries | 7 | - | 19,564 | - | 18,068 |
| Investments in associates and joint ventures | 7 | 25,837 | 24,853 | 25,699 | 24,760 |
| Accounts receivable | 8 | 510 | 510 | 624 | 624 |
| Other financial assets | | 127 | - | 29 | 15 |
| **Total non-current assets** | | **2,867,782** | **2,873,417** | **3,204,335** | **3,194,324** |
| **Current assets:** | | | | | |
| Inventories | 9 | 7,024 | 3,245 | 6,010 | 4,526 |
| Prepayments | | 8,491 | 8,412 | 2,050 | 1,615 |
| Trade receivables | 10 | 170,342 | 164,157 | 136,292 | 126,640 |
| Other receivables | 11 | 77,568 | 78,014 | 17,118 | 16,773 |
| Other financial assets | 12 | - | - | 15,994 | 15,994 |
| Term deposits | 13 | 17,160 | 17,000 | 200 | - |
| Cash and cash equivalents | 14 | 54,167 | 51,347 | 70,457 | 69,606 |
| **Total current assets** | | **334,752** | **322,175** | **248,121** | **235,154** |
| **TOTAL ASSETS** | | **3,202,534** | **3,195,592** | **3,452,456** | **3,429,478** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves:** | | | | | |
| Share capital | 15 | 689,515 | 689,515 | 689,515 | 689,515 |
| Share premium | | 3 | 3 | 3 | 3 |
| Revaluation reserve | | 346,170 | 343,404 | 492,723 | 483,230 |
| Legal reserve | 16 | 68,995 | 68,952 | 70,794 | 68,952 |
| Other reserves | 17 | (63,777) | (63,777) | 1,454,530 | 1,451,571 |
| Retained earnings (deficit) | | 1,614,958 | 1,621,740 | (17,820) | (11,972) |
| Foreign currency translation reserve | | - | - | (18) | - |
| **Equity attributable to the equity holders of the parent company** | | **2,655,864** | **2,659,837** | **2,689,727** | **2,681,299** |
| Minority interest | | - | - | 1 | - |
| **Total equity** | | **2,655,864** | **2,659,837** | **2,689,728** | **2,681,299** |
| **Non-current liabilities:** | | | | | |
| Borrowings | 18 | - | - | 13,811 | 13,811 |
| Finance lease liabilities | 19 | 1,565 | - | 1,894 | - |
| Grants | 20 | 71,420 | 71,393 | 66,339 | 66,309 |
| Deferred income | 26 | 16,173 | 16,173 | 14,329 | 14,329 |
| Other non-current accounts payable and liabilities | 21 | 10,954 | 10,954 | 25,597 | 25,597 |
| Deferred income tax liabilities | 22 | 235,557 | 233,334 | 384,359 | 381,743 |
| **Total non-current liabilities** | | **335,669** | **331,854** | **506,329** | **501,789** |
| **Current liabilities:** | | | | | |
| Borrowings | 18 | 14,200 | 13,811 | 271 | - |
| Bonds issued | 23 | - | - | 25,896 | 25,896 |
| Finance lease liabilities | 19 | 532 | - | 595 | - |
| Trade payables | 24 | 157,124 | 157,406 | 158,096 | 153,589 |
| Advance amounts received | | 2,285 | 1,061 | 1,563 | 3 |
| Income tax payable | | 16,505 | 16,458 | 10,914 | 10,911 |
| Provisions | 35 | 20 | 20 | 26,009 | 26,009 |
| Other accounts payable and liabilities | 25 | 20,335 | 15,145 | 33,055 | 29,982 |
| **Total current liabilities** | | **211,001** | **203,901** | **256,399** | **246,390** |
| **Total liabilities** | | **546,670** | **535,755** | **762,728** | **748,179** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,202,534** | **3,195,592** | **3,452,456** | **3,429,478** |

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2009**
**All amounts in LTL thousand, unless otherwise stated**

| | Notes | Group 2009 | Company 2009 | Group 2008 | Company 2008 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales revenue | 26 | 1,520,489 | 1,520,489 | 1,455,887 | 1,455,887 |
| Other operating income | 28 | 48,251 | 26,683 | 74,403 | 26,407 |
| | | **1,568,740** | **1,547,172** | **1,530,290** | **1,482,294** |
| **Operating expenses** | | | | | |
| Purchase of electricity or related services | | (1,050,882) | (1,050,882) | (976,322) | (976,322) |
| Purchase of capacity reserve | | (116,274) | (116,274) | (97,463) | (97,463) |
| Transit expenses | | (3,240) | (3,240) | (7,127) | (7,127) |
| Depreciation and amortisation | | (178,790) | (176,710) | (138,107) | (136,400) |
| Wages and related expenses | | (64,400) | (49,470) | (85,060) | (64,500) |
| Repair and maintenance expenses | | (12,323) | (13,359) | (27,940) | (28,949) |
| Loss on revaluation of property, plant and equipment | | (81,160) | (81,034) | (14,123) | (11,217) |
| Other expenses | | (44,468) | (31,217) | (119,834) | (76,567) |
| **Total operating expenses** | | **(1,551,537)** | **(1,522,186)** | **(1,465,976)** | **(1,398,545)** |
| **OPERATING PROFIT (LOSS)** | | **17,203** | **24,986** | **64,314** | **83,749** |
| Finance income | 29 | 9,478 | 9,479 | 2,569 | 3,065 |
| Finance (costs): | | | | | |
| (Increase) decrease in value of investments, share of results of activities of associates and joint ventures | 7 | 138 | (214) | (1,601) | (18,153) |
| Other finance (costs) | 30 | (1,939) | (1,487) | (2,667) | (2,598) |
| | | **24,880** | **32,764** | **62,615** | **66,063** |
| **PROFIT (LOSS) BEFORE INCOME TAX** | | | | | |
| Current year income tax expense | 22 | (44,644) | (44,564) | (27,324) | (27,295) |
| Deferred tax income (expense) | 22 | 40,347 | 40,794 | 6,387 | 6,143 |
| | | **20,583** | **28,994** | **41,678** | **44,911** |
| **DISCONTINUED OPERATIONS** | | | | | |
| Profit (loss) for the year from discontinued operations, net of income tax | 31 | - | - | 2,066 | 2,066 |
| **PROFIT (LOSS) FOR THE YEAR** | | **20,583** | **28,994** | **43,744** | **46,977** |

*(continued on the next page)*

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2009**
**All amounts in LTL thousand, unless otherwise stated**

| | Notes | Group 2009 | Company 2009 | Group 2008 | Company 2008 |
|---|---|---|---|---|---|
| **Other comprehensive income** | | | | | |
| Gain (loss) on revaluation of property, plant and equipment | 5 | (155,774) | (151,709) | 615,891 | 604,038 |
| Investment property impairment charge | 6 | (6,362) | (6,362) | - | - |
| Other comprehensive income | | (765) | - | (16) | - |
| Deferred income tax related to loss on revaluation of property, plant and equipment and impairment on investment property | 22 | 52,637 | 51,797 | (123,168) | (120,808) |
| Deferred income tax related to deemed cost | 22 | 55,818 | 55,818 | (59,092) | (58,949) |
| Other comprehensive income, net of deferred income tax | | (54,446) | (50,456) | 433,615 | 424,281 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **(33,863)** | **(21,462)** | **477,359** | **471,258** |
| | | | | | |
| **PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO:** | | | | | |
| Owners of the Company | | 20,583 | 28,994 | 43,745 | 46,977 |
| Minority interest | | - | - | (1) | - |
| | | **20,583** | **28,994** | **43,744** | **46,977** |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | | | | |
| Owners of the Company | | (33,863) | (21,462) | 477,359 | 471,258 |
| Minority interest | | - | - | - | - |
| | | **(33,863)** | **(21,462)** | **477,359** | **471,258** |
| | | | | | |
| **Basic and diluted earnings (deficit) per share from continuing operations (in LTL)** | 33 | **0.03** | | **0.06** | |

*(end)*

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

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2009**
**All amounts in LTL thousand, unless otherwise stated**

| | | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | **Notes** | **Share capital** | **Share premium** | **Revaluation reserve** | **Legal reserve** | **Other reserves** | **Retained earnings (deficit)** | **Foreign currency translation reserve** | **Total** | **Minority interest** | **Total equity** |
| **Balance at 31 December 2007** | | **689,515** | **3** | **-** | **70,730** | **1,404,786** | **47,335** | **(2)** | **2,212,367** | **2** | **2,212,369** |
| Comprehensive income | | - | - | 492,723 | - | - | (15,347) | (16) | 477,360 | (1) | 477,359 |
| Reserves established | | - | - | - | 64 | 51,496 | (51,560) | - | - | - | - |
| Reserves utilised | | - | - | - | - | (1,752) | 1,752 | - | - | - | - |
| **Balance at 31 December 2008** | | **689,515** | **3** | **492,723** | **70,794** | **1,454,530** | **(17,820)** | **(18)** | **2,689,727** | **1** | **2,689,728** |
| **Balance at 31 December 2008** | | **689,515** | **3** | **492,723** | **70,794** | **1,454,530** | **(17,820)** | **(18)** | **2,689,727** | **1** | **2,689,728** |
| Comprehensive income | | - | - | (109,499) | - | - | 75,618 | 18 | (33,863) | - | (33,863) |
| Transferred to retained earnings (depreciation), net of deferred income tax | | - | - | (37,054) | - | - | 37,054 | - | - | - | - |
| Other transfers to/from the reserves | 17 | - | - | - | (1,799) | (1,518,307) | 1,520,106 | - | - | (1) | (1) |
| **Balance at 31 December 2009** | | **689,515** | **3** | **346,170** | **68,995** | **(63,777)** | **1,614,958** | **-** | **2,655,864** | **-** | **2,655,864** |

*(continued on the next page)*

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2009**
**All amounts in LTL thousand, unless otherwise stated**

| Company | Notes | Share capital | Share premium | Revaluation reserve | Legal reserve | Other reserves | Retained earnings (deficit) | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2007** | | **689,515** | **3** | **-** | **68,952** | **1,402,660** | **48,911** | **2,210,041** |
| Comprehensive income | | - | - | 483,230 | - | | (11,972) | 471,258 |
| Reserves established | | | | | | 50,611 | (50,611) | - |
| Reserves utilised | | | | | | (1,700) | 1,700 | - |
| **Balance at 31 December 2008** | | **689,515** | **3** | **483,230** | **68,952** | **1,451,571** | **(11,972)** | **2,681,299** |
| | | | | | | | | |
| **Balance at 31 December 2008** | | **689,515** | **3** | **483,230** | **68,952** | **1,451,571** | **(11,972)** | **2,681,299** |
| Comprehensive income | | - | - | (106,274) | - | - | 84,812 | (21,462) |
| Transferred to retained earnings (depreciation), net of deferred income tax | | - | - | (33,552) | - | - | 33,552 | - |
| Other transfers to/from the reserves | 17 | - | - | - | - | (1,515,348) | 1,515,348 | - |
| **Balance at 31 December 2009** | | **689,515** | **3** | **343,404** | **68,952** | **(63,777)** | **1,621,740** | **2,659,837** |

*(end)*

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

**STATEMENTS OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2009**
**All amounts in LTL thousand, unless otherwise stated**

| | Notes | Group 2009 | Company 2009 | Group 2008 | Company 2008 |
|---|---|---|---|---|---|
| Profit (loss) from continuing operations | | 20,583 | 28,994 | 41,678 | 44,911 |
| Profit (loss) from discontinued operations | | - | - | 2,066 | 2,066 |
| **Profit (loss) for the year** | | **20,583** | **28,994** | **43,744** | **46,977** |
| ***Reversal of non-cash expenses (income) and other adjustments*** | | | | | |
| Depreciation and amortisation expense | 4,5,6 | 182,051 | 179,328 | 139,737 | 138,208 |
| (Reversal of)/impairment charge on assets | | 81,268 | 80,283 | 28,796 | 30,549 |
| Share of profit of associates and joint ventures | | - | - | 1,601 | - |
| Income tax expense | 22 | 44,644 | 44,564 | 27,324 | 27,295 |
| Change in deferred tax liability | 22 | (40,347) | (40,794) | (6,387) | (6,143) |
| (Income) from grants and connection of new users | 21,26 | (2,640) | (2,620) | (2,415) | (2,393) |
| Increase (decrease) in provisions | | (26,183) | (26,183) | 27,629 | 27,629 |
| Loss on disposal/write-off of non-current assets (except financial assets) | | 1,855 | 1,198 | 4,468 | 4,182 |
| Elimination of results of financing and investing activity: | | | | | |
| - Dividends | | - | - | - | (633) |
| - Effect of changes in foreign exchange rates, net | | 21 | 9 | 2 | (5) |
| - Interest (income) | | (7,828) | (7,928) | (1,539) | (1,476) |
| - Interest expense | | 1,547 | 1,445 | 1,676 | 1,616 |
| - Other finance (income) costs | | (1,508) | (1,517) | (970) | (762) |
| ***Changes in working capital*** | | | | | |
| (Increase) decrease in trade receivables and other accounts receivable | | (20,710) | (23,847) | (24,292) | (30,510) |
| (Increase) decrease in inventories and prepayments | | (786) | (5,703) | 3,584 | 1,678 |
| (Increase) decrease in other current assets | | 17 | - | 3 | - |
| Increase (decrease) in accounts payable and advance amounts received | | 10,325 | 13,363 | 16,533 | 23,656 |
| Income tax (paid) | | (39,053) | (39,025) | (20,379) | (20,208) |
| **Net cash generated from operating activities** | | **203,256** | **201,567** | **239,115** | **239,660** |
| **Cash flows from investing activities** | | | | | |
| (Purchase) of property, plant and equipment and intangible assets | | (123,435) | (120,083) | (121,202) | (119,340) |
| Proceeds from sale of PP&E and intangible assets | | - | - | 86 | - |
| Loans (granted) | | (74,000) | (76,250) | (30,000) | (30,000) |
| Loan repayments received | | - | - | 31,552 | 31,552 |
| Term deposits | | (16,960) | (17,000) | (50) | - |
| (Acquisition) of bonds | 12 | (39,705) | (39,705) | (15,994) | (15,994) |
| Disposal of bonds | 12 | 55,699 | 55,699 | - | - |
| (Acquisition) of investments | | - | (1,803) | (1,020) | (1,020) |
| Dividends received | | - | - | - | 633 |
| Interest received | | 7,141 | 7,088 | 1,581 | 1,517 |
| **Net cash used in investing activities** | | **(191,260)** | **(192,054)** | **(135,047)** | **(132,652)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | | 118 | - | 24,337 | 24,066 |
| (Repayment) of borrowings/bonds redeemed | | (25,896) | (25,896) | (74,180) | (74,180) |
| Finance lease payments | | (392) | - | (157) | - |
| Interest (paid) | | (2,103) | (1,863) | (1,802) | (1,742) |
| Dividends (paid) | | (13) | (13) | (112) | (112) |
| Other cash flows from financing activities | | - | - | (15) | - |
| **Net cash used in financing activities** | | **(28,286)** | **(27,772)** | **(51,929)** | **(51,968)** |
| **Net increase (decrease) in cash flows** | | **(16,290)** | **(18,259)** | **52,139** | **55,040** |
| **Cash and cash equivalents at the beginning of the period** | | **70,457** | **69,606** | **18,318** | **14,566** |
| **Cash and cash equivalents at the end of the period** | | **54,167** | **51,347** | **70,457** | **69,606** |

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

## 1 *General information*

AB Lietuvos Energija is a public company registered in the Republic of Lithuania. The address of the Company's registered office is: Žvejų g. 14, LT-09310, Vilnius, Lithuania. AB Lietuvos Energija (hereinafter referred to as the "Company") is a limited liability profit-making entity, registered with the Register of Legal Entities managed by the public institution Registrų Centras. The Company's registration date is 4 December 1995, reg. No. BĮ 99-74, business ID 220551550, VAT reg. No. LT205515515. The Company is established for an unlimited period.

On 4 March 1995, the Company took over the rights of the former Production, Energy and Electrification Board established originally in 1940 and reorganised into the Lithuanian State Energy System on 27 March 1991, after the restoration of independence of the Republic of Lithuania. The Company was re-registered on 13 April 1999 with the Ministry of Economy.

The share capital of the Company did not change in 2009 and 2008, and as at 31 December 2009 amounted to LTL 689,515,435 and was divided into 689,515,435 ordinary registered shares with the nominal value of LTL 1 each. All the shares are fully paid. The shares of the Company are traded on the current trading list of Vilnius Stock Exchange. The Company did not hold own shares in 2009 and 2008.

By its resolution No. 364 dated 24 April 2008 the Government of the Republic of Lithuania declared that 664,700,833 ordinary registered shares of Lietuvos Energija AB with the nominal value of 1 LTL each, owned by the state are transferred as the contribution in-kind of the state represented by the Ministry of Economy for the increase of the share capital of LEO LT, AB. The Shareholder Agreement of the national investor LEO LT, AB was signed on 27 May 2008. Immediately after that, an extraordinary general shareholder meeting of LEO LT, AB was convened where it was decided to increase the share capital of LEO LT, AB by the in-kind contributions of the shareholders - by contributing shares of VST AB, Rytų Skirstomieji Tinklai AB and Lietuvos Energija AB. The main shareholder of the Company is LEO LT, AB, owning 96.40 per cent of the Company's shares as at 31 December 2009. The remaining 3.60 per cent stake of the Company's shares is held by other shareholders.

The core activities of the Company in 2009 just like in 2008 included the transmission system operator, market operator, electricity production and electricity export. Apart from these key activities, the Company is entitled to carry out any other business activities that are not prohibited by the Lithuanian law and are specified in the Articles of Association of the Company.

Licensed activities or activities that require permits can be carried out only after obtaining the appropriate licenses or permits. On 22 March 2002, the Company obtained a licence for energy transmission, which is valid for an unlimited period (unless it is suspended or cancelled). Apart from this licence, the Company has permits of unlimited validity to engage in the production, import and export of electricity. With effect from 1 January 2010, the function of the transmission system operator is carried out by LITGRID UAB. Under the requirements of the EU legislative acts on the liberalisation of electric power market, subsidiaries of Lietuvos Energija AB established for the purpose of separating specific activities were issued with activity licenses on 28 December 2009. The company LITGRID UAB was granted a license of the electricity transmission system operator and the company BALTPOOL UAB was granted a license of the electricity market operator. On 28 December 2009, Lietuvos Energija AB was issued with a license of the independent electricity provider.

As of the date of these financial statements the Company directly participated (controlled or had significant influence) in the management of the following companies: Nordic Energy Link AS (Estonia), Energetikos Pajėgos UAB (Lithuania), Geoterma UAB (Lithuania), Kruonio Investicijos UAB (Lithuania), Kauno Energetikos Remontas UAB (Lithuania), LITGRID UAB (Lithuania), Interlinks UAB (Lithuania), Energijos Tiekimas UAB (Lithuania), Respublikinis energetikų mokymo centras VŠĮ (Lithuania). Indirectly, through LITGRID UAB, the Company controlled BALTPOOL UAB (Lithuania) and through Kauno Energetikos Remontas UAB, the Company had majority of votes in Gotlitas UAB (Lithuania) and in Kaliningradski Energoremont OOO until 2 June 2009 (Russia) when shares were disposed and the Company also exercised significant influence over Enmašas UAB (Lithuania). As at 31 December 2009, the Company also participated in the management of a jointly controlled company LitPol Link Sp.z.o.o (Poland) which was established on 8 August 2008. Further information about associates and joint ventures is presented in Note 7.

The consolidated financial statements of Lietuvos Energija AB and its subsidiaries and the separate financial statements of Lietuvos Energija AB as a parent company are presented in these financial statements. As at 31 December 2009, the Group consisted of Lietuvos Energija AB and the following directly and indirectly controlled subsidiaries:

## 1 *General information (continued)*

| Company | Address of the company's registered office | Shareholding of the Group as at 31 December 2009 | Share capital of the subsidiary as at 31 December 2009 | Profit (loss) for 2009 | Equity as at 31 December 2009 | Principal activities |
|---|---|---|---|---|---|---|
| Energetikos Pajėgos UAB | T.Masiulio g. 16D, Kaunas, Lithuania | 100 % | 430 | 232 | 824 | Designing of energy facilities |
| Kauno Energetikos Remontas UAB | Chemijos g. 17, Kaunas, Lithuania | 100 % | 31,341 | (7,750) | 23,767 | Repair of energy equipment, production of metal structures |
| Kruonio Investicijos UAB | Kruonio IIk., Kaišiadorys region, Lithuania | 100% | 2,361 | (179) | 1,575 | Development of public and recreational projects |
| Gotlitas UAB (controlled through Kauno Energetikos Remontas UAB) | R.Kalantos g. 119, Kaunas, Lithuania | 100% | 1,450 | (20) | 1,743 | Accommodation services, trade |
| LITGRID UAB | Juozapavičiaus g. 13, Vilnius, Lithuania | 100% | 500 | (46) | 454 | Activities related to the electricity transmission system operator |
| BALTPOOL UAB (controlled through LITGRID UAB) | Juozapavičiaus g. 13, Vilnius, Lithuania | 100% | 300 | (11) | 64 | Activities related to the electricity market operator |
| Interlinks UAB | Žvejų g. 14, Vilnius, Lithuania | 100% | 1,000 | (1,945) | (675) | Development and implementation of projects on electricity transmission interconnections |
| Energijos Tiekimas UAB | Žvejų g. 14, Vilnius, Lithuania | 100% | 400 | (35) | 365 | Independent electricity supply |
| Respublikinis energetikų mokymo centras VŠĮ | Jeruzalės g. 21, Vilnius, Lithuania | 100% | 294 | (648) | 295 | Professional development and further training of energy specialists |

As at 31 December 2009, the number of employees of the Group was 1,227 (31 December 2008: 1,409). As at 31 December 2009, the number of employees of the Company was 889 (31 December 2008: 967).

## 2 *Accounting policies*

Presented below are the principal accounting policies adopted in the preparation of the Group's and the Company's financial statements for the year 2009.

### 2.1 Basis of preparation

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and applicable to the financial statements.

These financial statements were prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment loss (see Note 2.8).

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

### 2.2 Change of accounting policies

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

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

The Group/the Company have adopted the following new and amended IFRS and IFRIC interpretations during the current year:

- ***IAS 1, Presentation of Financial Statements*** (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by the statement of comprehensive income which also includes all non-owner changes in equity, such as revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group and Company changed the presentation of the financial statements but it had no impact on the recognition or measurement of specific transactions and balances.

- ***IFRS 8, Operating Segments*** (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments with segment information presented on a similar basis to that used for internal reporting purposes. Changes in the segment information of the Group presented in the financial statements are described in Note 27.

- ***IAS 23, Borrowing Costs*** (effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. This amendment is relevant neither for the Company, nor the Group.

<u>The following new or amended IFRS and IFRIC interpretations are effective in 2009 but not relevant to the Company and the Group</u>:

- ***Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment.*** This amendment does not have any impact on the Group's and Company's financial statements.
- ***Vesting Conditions and Cancellations—Amendment to IFRS 2.*** This amendment does not have any impact on the Group's and Company's financial statements.
- ***IFRIC 12, Service Concession Arrangements.*** This interpretation does not have any impact on the Group's and Company's financial statements.
- ***IFRIC 13, Customer Loyalty Programmes.*** This interpretation does not have any impact on the Group's and Company's financial statements.
- ***IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*** This interpretation does not have any impact on the Group's and Company's financial statements.
- ***Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment.*** This amendment does not have any impact on the Group's and Company's financial statements.
- ***Improvements to International Financial Reporting Standards (issued in May 2008).*** None of the amendments have a material impact on the Group's and Company's financial statements.
- ***Improving Disclosures about Financial Instruments—Amendment to IFRS 7 (issued in 2009).***

## *2 Accounting policies (continued)*

### 2.2 Change of accounting policies (continued)

#### *b) Change of accounting for property, plant and equipment*

In order to ensure that all the companies of the LEO LT, AB Group apply the same accounting policies, in December 2008 management decided to change its accounting policy for all groups of property, plant and equipment (except the Hydro Power Plant and the Pumped Storage Power Plant): the acquisition cost accounting method was replaced with the revaluation method.

The assets' valuation was made by independent valuators as at 31 December 2008. In accordance with IAS 8, the accounting policy was changed prospectively, applying it from the earliest possible date – 31 December 2008.

The effect of the change on the statement of financial position as at 31 December 2008 and the statement of comprehensive income for the period then ended was as follows:

| **Group** | **Balance/amount before change of accounting policy** | **Effect of change of accounting policy** | **Balance/amount reported in financial statements as at 31 December 2008** |
|---|---|---|---|
| Property, plant and equipment (excluding assets of Hydro Power Plant and Pumped Storage Power Plant) | | | |
| Land | 119 | 167 | 286 |
| Buildings | 131,997 | 60,924 | 192,921 |
| Structures and machinery | 1,649,081 | 533,453 | 2,182,534 |
| Vehicles | 9,577 | 19 | 9,596 |
| Other property, plant and equipment | 55,644 | 6,863 | 62,507 |
| Construction in progress | 167,104 | 342 | 167,446 |
| | 2,013,522 | 601,768 | 2,615,290 |
| Capital and reserves: | | | |
| Revaluation reserve, net of deferred tax | - | 492,723 | 492,723 |
| Net result for 2008 (effect of impairment, net of deferred tax ) | 55,042 | (11,298) | 43,744 |
| Non-current liabilities: | | | |
| Deferred income tax liability | 264,016 | 120,343 | 384,359 |

| **Company** | **Balance/amount before change of accounting policy** | **Effect of change of accounting policy** | **Balance/amount reported in financial statements as at 31 December 2008** |
|---|---|---|---|
| Property, plant and equipment (excluding assets of Hydro Power Plant and Pumped Storage Power Plant) | | | |
| Land | 119 | 167 | 286 |
| Buildings | 101,303 | 54,956 | 156,259 |
| Structures and machinery | 1,644,274 | 531,646 | 2,175,920 |
| Vehicles | 8,343 | - | 8,343 |
| Other property, plant and equipment | 55,649 | 6,269 | 61,918 |
| Construction in progress | 167,800 | (217) | 167,583 |
| | 1,977,488 | 592,821 | 2,570,309 |
| Capital and reserves: | | | |
| Revaluation reserve, net of deferred tax | - | 483,230 | 483,230 |
| Net result for 2008 (effect of impairment, net of deferred tax ) | 55,951 | (8,974) | 46,977 |
| Non-current liabilities: | | | |
| Deferred income tax liability | 263,179 | 118,564 | 381,743 |

## 2 *Accounting policies (continued)*

### 2.3 Standards, interpretations and their amendments that are not yet effective and not earlier adopted by the Company and the Group

The Group/Company has not applied the following IFRS and IFRIC Interpretations that have been approved but are not yet effective:

***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, early adoption permitted). This interpretation will not have any impact on the Group's and Company's 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, early adoption permitted). These amendments will not have any impact on the Group's and Company's financial statements.

***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). This interpretation will not have any impact on the Group's and Company's financial statements.

***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). This interpretation will not have any impact on the Group's and Company's financial statements.

***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 Group and the Company are currently assessing the impact of the new interpretation on the financial statements.

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

***IAS 27, Consolidated and Separate Financial Statements, revised in January 2008*** (effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 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 Company and the Group do not expect the amended standard to have a material impact on the financial statements.

***IFRS 3, Business Combinations, revised in January 2008*** (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Company and the Group are currently assessing the impact of the amended standard on the financial statements.

## 2 *Accounting policies (continued)*

### 2.3 Standards, interpretations and their amendments that are not yet effective and not earlier adopted by the Company and the Group (continued)

***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). The amendment 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. The Group and Company are currently assessing the impact of the amendment on the financial statements.

***Eligible Hedged Items—Amendment to IAS 39*** (effective with retrospective application for annual periods beginning on or after 1 July 2009). These amendments will not have any impact on the Group's and Company's financial statements.

***IFRS 1, First-time Adoption of International Financial Reporting Standards, revised 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, early adoption permitted). This standard will not have any impact on the Group's and Company's financial statements.

***Group Cash-settled Share-based Payment Transactions—Amendments to IFRS 2*** (effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU). These amendments will not have any impact on the Group's and Company's financial statements.

***Additional Exemptions for First-time Adopters—Amendments to IFRS 1*** (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU). The Group and the Company do not expect the amendments to have any material impact on the 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). The Group and the Company do not expect the amendments to have any material impact on the financial statements.

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

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

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Group and the Company are considering the implications of the standard and the timing of its adoption.

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

## 2 *Accounting policies (continued)*

### 2.3 Standards, interpretations and their amendments that are not yet effective and not earlier adopted by the Company and the Group (continued)

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

***Limited exemption from comparative IFRS 7 disclosures for first-time adopters—Amendment to IFRS 1*** (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). These amendments will not have any impact on the Group's and Company's financial statements.

### 2.4 Consolidation principles

The consolidated financial statements of the Group include Lietuvos Energija AB and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies are eliminated.

Minority interest in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interest consists of the amount of the interest at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses attributable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### 2.5 Business combinations

Acquisition of subsidiaries, except for acquisitions between jointly controlled companies, is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the consideration given, which includes assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The acquiree's identifiable assets acquired, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business combinations*, assumed in a business combination are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups), which are classified as held-for-sale in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations* that are recognised and measured at fair vale less cost of sale.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportional share of the net fair value of assets, liabilities and contingent liabilities recognised.

Business combinations involving entities under common control are excluded from IFRS 3 "Business combination" scope and therefore predecessor accounting was used. The Group did not restate assets and liabilities to their fair value as at the acquisition date; instead the Group incorporated assets and liabilities at the amounts recorded in the books of the combined companies. No goodwill arises in predecessor accounting and the consolidated financial statements incorporate the combined companies' results from the date of acquisition.

### 2.6 Investments in subsidiaries (the Company)

Subsidiary is an entity directly or indirectly controlled by a parent company. In the parent company's statement of financial position investments in subsidiaries are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount.

### 2.7 Investments in associates and joint ventures

An associate is an entity over which the Group/Company has significant influence and that is neither a subsidiary nor a joint venture. Significant impact is an ability to take part in making financial and operating policy decisions but is not control or joint control over those policies. The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity.

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

In the consolidated financial statements of the Group results of activities of associates and joint ventures are accounted at equity method, except when the investment is classified as held-for-sale, when it is recognised according to IFRS 5 *Non-current assets held for sale and discontinued operations*. Under the equity method, investments in associates or joint ventures are carried in the consolidated statement of financial postion at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the investee, less any impairment in the value of individual investments. Losses of an associate or joint venture in excess of the Group's interest in that associate/joint venture are not recognised, unless the Group has assured legal or constructive obligations or made payments on behalf of the associate/joint venture.

## 2 *Accounting policies (continued)*

### 2.7 Investments in associates and joint ventures (continued)

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

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

Financial guarantees provided for the liabilities of the associates during the initial recognition are accounted at estimated fair value, being the difference between the fair value of the liabilities with the guarantee and the fair value of such liabilities without the guarantee, as the investment into associates and financial liability in the statement of financial position. Subsequent to initial recognition this financial liability is amortised and recognised as income depending on the related amortisation / repayment of the associate's financial liability to the bank. If there is a possibility that the associate may fail to fulfil its obligations to the bank, a financial liability of the Company is accounted for at the higher of amortised value and the value estimated according to IAS 37 *Provisions, contingent liabilities and contingent assets.*

### 2.8 Property, plant and equipment and intangible assets

Property, plant and equipment

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

As described in Note 2.2, since 31 December 2008 the Company/Group have changed the accounting policy applied to property, plant and equipment (except for Hydro Power Plant and Pumped Storage Power Plant) from acquisition cost to revalued cost method.

Before 31 December 2008, property, plant and equipment was carried at cost, less accumulated depreciation and accumulated impairment losses.

With effect from 31 December 2008, property, plant and equipment except for the Hydro Power Plant and the Pumped Storage Power Plant which are still accounted for at cost less accumulated depreciation and impairment, are shown at revalued amounts, based on periodic (at least every 5 years) valuations by external independent appraisers, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets. Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited against revaluation reserve directly to equity (Note 2.2) and decreases are recognised in the profit and loss account. Increases in the carrying amount arising on the subsequent revaluation of property, plant and equipment are credited against revaluation reserve, whereas decreases in the carrying amount that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Revaluation increases in property plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred tax.

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

Intangible assets

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

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

## 2 *Accounting policies (continued)*

### 2.8 Property, plant and equipment and intangible assets (continued)

Depreciation and amortisation

Depreciation (amortisation) of property, plant and equipment and intangible assets, except construction in progress, is calculated using the straight-line method over estimated useful lives of the assets. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at each year-end to ensure that they are consistent with the expected pattern of economic benefits from these assets. The effect of changes in estimates, if any, is accounted for on a prospective basis. As at 31 December 2008, depreciation (amortisation) rates of property, plant and equipment and intangible assets were adjusted in view of the remaining useful lives. Estimated useful lives of property, plant and equipment and intangible assets are as follows:

| **Categories of property, plant and equipment and intangible assets** | **Useful lives (in years)** |
|---|---|
| Buildings | 20 - 75 |
| Structures, machinery and equipment: | |
| - electricity and communication facilities | 20 - 25 |
| - electricity equipment | 15 - 35 |
| - other equipment | 5 - 20 |
| Power plants' assets: | |
| - hydrotechnical waterway structures and equipment | 75 |
| - pressure pipelines | 50 |
| - hydrotechnical turbines | 25 - 40 |
| - other equipment | 8 - 15 |
| Motor vehicles | 4 - 10 |
| Other property, plant and equipment: | |
| - computer hardware and communication equipment | 3 - 10 |
| - inventory, tools | 4 - 10 |
| Intangible assets | 3 - 4 |

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

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

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

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

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

### 2.9 Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group and the Company review the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets of the Group and the Company are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each reporting date, and whenever there is an indication that the asset may be impaired.

## 2 *Accounting policies (continued)*

### 2.9 Impairment of property, plant and equipment and intangible assets (continued)

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (without exceeding the sum of previous value impairment) as described in Note 2.8.

### 2.10 Investment property

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

Transfers to and from investment property are made only when there is an evidence of change in an asset's use. Some properties may be partially occupied by the Company/Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Company/Group can be sold separately, the Company/Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40.

### 2.11 Non-current assets held for sale

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

### 2.12 Financial assets

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

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

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

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

Held-to-maturity financial assets.

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

## 2 *Accounting policies (continued)*

### 2.12 Financial assets (continued)

Loans and receivables

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

Effective interest rate method

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

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

### 2.13 Inventories

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

## 2 *Accounting policies (continued)*

### 2.14 Cash and cash equivalents

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

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

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

Recognition of instruments as debt or equity instruments

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

Equity instruments

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

Financial liabilities

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

### 2.16 Foreign currency

Foreign currency transactions are accounted for at the exchange rates as of transaction date as established by the Bank of Lithuania, which approximates market rates. Monetary assets and liabilities are translated to Litas at exchange rate as of the balance sheet date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of comprehensive income of the reporting period.

Starting from 2 February 2002, Lithuanian litas is pegged to euro at the rate of 3.4528 litas for 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania. The applicable rates used for principal currencies were as follows:

| At 31 December 2009 | | | At 31 December 2008 | | |
|---|---|---|---|---|---|
| 1 LVL | = | 4.8679 LTL | 1 LVL | = | 4.8872 LTL |
| 100 RUB | = | 7.9465 LTL | 100 RUB | = | 8.3337 LTL |
| 10 SEK | = | 3.3449 LTL | 10 SEK | = | 3.1505 LTL |
| 1 USD | = | 2.4052 LTL | 1 USD | = | 2.4507 LTL |
| 10 EEK | = | 2.2067 LTL | 10 EEK | = | 2.2067 LTL |

Separate financial statements of the entities of the Group are presented in the main currency of the economic environment in which the entity operates (functional currency). In consolidated financial statements, financial results and financial position of each Group company are presented in Litas, which is the functional currency of the Company and the presentation currency of the consolidated Group's financial statements.

## 2 *Accounting policies (continued)*

### 2.16 Foreign currency (continued)

When preparing separate financial statements of Group companies, transactions denominated in currencies other than functional currency of the company (in foreign currencies) are carried at the currency rate prevailing at the date of transaction. At each balance sheet date monetary items denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Non-monetary items measured at fair value and denominated in foreign currency are translated using the exchange rate as of the date the fair value was determined. Non-monetary items carried at cost and denominated in foreign currency are not translated.

The assets and liabilities (including comparative figures) of foreign subsidiaries are translated into Litas for the preparation of consolidated financial statements using the rate of exchange as of the balance sheet date. Income and expenses (including comparative figures) are translated into Litas using the average currency rate of the period, unless there were significant fluctuations of the currency rate during the reporting period in which case rate ruling at the date of transaction is applied. Currency exchange rate differences, if any, are recognised under foreign currency translation reserve in equity. These changes in foreign exchange rates are recognised in the statement of comprehensive income for the period in which the foreign subsidiary is disposed.

### 2.17 Grants

Asset-related grants

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

Income-related grants

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

### 2.18 Provisions

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

Provisions for pension payments

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

### 2.19 Employee benefits

(a) Social security contributions

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

(b) Termination benefits

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

## 2 *Accounting policies (continued)*

### 2.19 Employee benefits (continued)

(c) Bonus plans

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

### 2.20 Accounting for lease

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

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

<u>The Group and the Company as a lessor</u>

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

<u>The Group and the Company as a lessee</u>

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

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

### 2.21 Segment information

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

### 2.22 Income and expense recognition

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

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

Revenue from sale of electricity acquired at an auction, electricity export and public service obligations (PSO) electricity sales is recognised when substantially all risks and rewards related to the object of sale have been transferred to the buyer.

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

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

*Tariff regulation*

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

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

Tariffs for imported and exported electricity are not regulated.

## 2 *Accounting policies (continued)*

### 2.22 Revenue and expense recognition (continued)

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

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

Connection of new users

Payments received for the connection of the new users initially are recognised as deferred income 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 acquisition cost of non-current tangible assets and other costs, are capitalised and depreciated over the estimated useful lives of the capitalised assets.

Repair service revenue

Revenue from customer specific agreements/projects, i.e. repair services (Note 28), is recognised based on the proportion of the work completed, which is estimated by comparing actually incurred costs on the project with the project's total estimated cost. Expected change in the profitability is accounted in the statement of comprehensive income when such change is determined. Projects are reviewed periodically and if determined that a contract will be loss-making, respective provisions are accounted for.

Other income

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

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

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

Recognition of expenses

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

### 2.23 Financing expenses

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

### 2.24 Income tax

Income tax expense consists of the current year income tax and deferred tax expense.

Income tax

The current year income tax charge is based on taxable pre-tax profit for the year as modified by the items of income or expenses that are not subject to tax or deductable. Tax rates used to compute income tax expense are those applicable as of the date of the financial statements. In 2009, income tax at a rate of 20 per cent was applicable in Lithuania (2008: 15 per cent). With effect from 1 January 2010, income tax at a rate of 15 per cent is applied.

## 2 *Accounting policies (continued)*

### 2.24 Income tax (continued)

Deferred income tax

Deferred income tax is calculated using the balance sheet liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences between the carrying amounts of assets and liabilities for financial reporting purposes and their amounts used for income tax purposes. Deferred tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, and deferred tax assets are recognised to the extent to which they are expected to reduce taxable profit in the future. Such assets and liabilities are not recognised if temporary differences are related to goodwill (or negative goodwill), or if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the taxable profit nor financial profit.

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the Group and the Company to realise all or part of deferred tax assets. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are offset when they are related to profit taxes levied by the same tax authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Income tax and deferred tax for the accounting period

Income tax and deferred income tax are charged or credited to profit or loss, except when they relate to items included directly to equity, in which case the deferred income tax is also accounted for in equity.

On transition to IFRS, the Group and the Company treated the revalued amounts of property, plant and equipment as a deemed cost. As the tax base of the asset carried at deemed cost on transition to IFRS remained at acquisition cost (or an amount based on acquisition cost), revaluation gave rise to temporary differences associated with the asset and deferred tax liability has been accounted for. If, after transition to IFRS, this deferred tax liability is required to be remeasured (e.g. because of a change in tax rate), the Group and the Company account for the effect of remeasurement directly under retained earnings in the statement of financial position.

### 2.25 Earnings per share

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

As at 31 December 2009 and in 2008, the weighted average number of shares, based on which the earnings per share are calculated, was 689,515,435. As at 31 December 2009 and 31 December 2008 as well as during the periods ending at these dates, the Company had no dilutive options outstanding, therefore, basic and diluted earnings per share do not differ.

### 2.26 Contingencies

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

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

### 2.27 Post-balance-sheet events

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

### 2.28 Related parties

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

## 2 *Accounting policies (continued)*

### 2.29 Offsetting

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.

### 2.30 Comparative figures

When preparing these financial statements the Group and the Company reclassified in the statement of financial position prepayments of LTL 21.244 thousand from the category of non-current assets to the category of prepayments for non-current assets in order to make comparative figures consistent with the presentation of the financial statements as at 31 December 2009.

## 3 *Significant accounting estimates and judgments*

The preparation of financial statements according to International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. The areas where estimates are significant to these financial statements include fair value evaluation and depreciation of property, plant and equipment and investment property (Notes 2.2, 2.8, 5 and 6), evaluation of impairment for accounts receivable and investments (Notes 2.12, 7, 10 and 11), percentage of completion evaluation for repair service contracts (Notes 2.22 and 28), evaluation of provisions (Notes 2.18 and 21), and disclosure of contingent liabilities (Note 35). Future events may cause the assumptions used in arriving at the estimates to change. The effect of such changes in the estimates will be recorded in the financial statements when determined.

<u>Recent volatility in global financial markets</u>

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. The full extent of the impact 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 and the Group'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 and the Group's business in the current circumstances.

<u>Tax audits</u>

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

<u>Depreciation rates of property, plant and equipment</u>

In assessing the remaining useful life of property, plant and equipment management takes account of the conclusions by the employees responsible for technical maintenance of assets.

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

The fair value of the Group's and the Company's property, plant and equipment and investment property as at 31 December 2008 was determined by independent asset valuators who used a method of comparative prices or depreciated replacement value or discounted cash flows methods to determine the fair value of the assets, depending on the type of asset. Difference between the estimated fair value, and the carrying value, is disclosed in Note 2.2.

As at 31 December 2009, management adjusted carrying amounts of property, plant and equipment in accordance with the revaluation method. Having assessed the drop in the construction cost indices in 11 months of 2009 in respect of relevant categories of assets which is published by the Lithuanian Statistics Department, the Group and the Company reduced the carrying amount of property, plant and equipment. The Group and the Company applied a 12.27 per cent statistical index in respect of the category of buildings and a 9.68 per cent index in respect of other categories of property, plant and equipment that at 31 December 2008 were revalued based on depreciated replacement cost. In addition the Company's and Group's property, plant and equipment mainly real estate that as at 31 December 2008 was revalued using comparative prices method, was revalued at 31 December 2009 based on fair value changes of industrial real estate in Lithuania by region in 2009 provided by an independent valuer UAB Ober-Haus Nekilnojamasis Turtas. This report was derived from market evidence on changes of real estate prices. For further information see Note 5.

### *3 Significant accounting estimates and judgments (continued)*

Impairment of property, plant and equipment

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

The Group and the Company accounts for property, plant and equipment, except property, plant and equipment of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, 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 Group and the Company due to their specific nature is 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 statement of financial position 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 statement of financial position should be written down to the higher of either the current value of the future benefits that would be derived by the Group and Company from the continued use of the assets or the proceeds it would derive from the asset's immediate retirement and disposal.

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' and Group'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 Group and 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 Group's and Company's property, plant and equipment reliably. For information on performed revaluation of property, plant and equipment see paragraph *Revaluation of property, plant and* equipment (page 67) and Note 5.

Due to the same reasons described above as at 31 December 2009 the Group and the Company did not performed the impairment testing of property, plant and equipment of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, which are carried at cost less accumulated depreciation and impairment losses.

Based on the assessment of the management, as at 31 December 2008 there were no indications that property, plant and equipment are impaired, except for those of the subsidiary Kauno Energetikos Remontas UAB, which suffered a significant decline in turnover volumes and incurred extensive losses. The management determined the recoverable amount of property, plant and equipment of Kauno Energetikos Remontas UAB by assessing a probable net realisable value as at 31 December 2008. As a result, an impairment of LTL 9,320 thousand was accounted for in the Group's statement of comprehensive income.

### *3 Significant accounting estimates and judgments (continued)*

Impairment of investments to subsidiaries (in the Company) and associates (in the Group and the Company)

Since the shares of the subsidiaries and associated entities are not listed, the Group/Company estimated the recoverable value of these investments based on the carrying value of the Group's/Company's share of the subsidiary's/associate's net assets, which approximates its fair value as at 31 December 2008 based on the judgement of management, except for the investment in subsidiary Kauno Energetikos Remontas UAB, which incurred losses and significant decline in the volume of operations. The recoverable amount of this investment was estimated by the Company based on the expected net assets realisable value considering each balance sheet item separately. The estimated realisable values vary from 75% to 100% from the respective net assets items carrying amounts. No observable market data was used in this estimate in 2008. The recoverable amount of the investment in subsidiary Kauno Energetikos Remontas UAB as at 31 December 2009 was estimated by discounting future cash flows using a 13.42 per cent discount rate. The expected cash flow was determined taking into account reorganisational processes carried out at the subsidiary that are expected to reduce costs and making an assumption that the recovery of the Lithuanian economy will enable the Company to generate more revenue. Increase in revenue is linked with the tender awarded to the Company for the reconstruction of Panevėžys transformer substation of Lietuvos Energija AB. Based on the above-mentioned assumptions, the estimated recoverable amount exceeds the carrying amount of the investment as at 31 December 2009, therefore no additional impairment for investments in subsidiaries as at 31 December 2009 was recognised.

Commitment to transfer Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant

Based on the assessment of the Group's/Company's management, the commitment to transfer Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant to the State of Lithuania as described in Note 37 due to change in circumstances surrounding it does not comply with the classification criteria established in IFRS 5, 'Non-current assets held for sale and discontinued operations' as at 31 December 2009, as the decision to terminate the separation process of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant passed at the shareholder meeting held on 29 January 2010 confirms the terms and conditions that existed as at 31 December 2009.

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

As at the date of these financial statements, there was no significant risk that the book amount of assets and liabilities will be subject to important corrections in the next accounting year due to changes in management's assumptions and estimates, except for (a) the adjustments which might be needed if the estimates of management of the fair value of non-current tangible assets of Kauno Energetikos Remontas UAB, as described above, are changed, and (b) the adjustments which might be needed due to uncertainty in respect of the determination of the value of property, plant and equipment used in licensed activities as at 31 December 2009, as described above.

## 4 *Intangible assets*

The structure of the Group's intangible assets as at 31 December 2009 and 31 December 2008 is as follows:

| Group | Patents and licences | Software | Other intangible assets | Total |
|---|---|---|---|---|
| **At 31 December 2007** | | | | |
| Cost | 2,337 | 17,634 | 36 | 20,007 |
| Accumulated amortisation | (1,714) | (13,173) | (15) | (14,902) |
| **Net book amount at 31 December 2007** | **623** | **4,461** | **21** | **5,105** |
| **Year ended 31 December 2008** | | | | |
| Opening net book amount | 623 | 4,461 | 21 | 5,105 |
| Additions | 21 | 496 | - | 517 |
| Amortisation charge | (508) | (1,854) | (6) | (2,368) |
| Impairment | - | (105) | - | (105) |
| **Net book amount at 31 December 2008** | **136** | **2,998** | **15** | **3,149** |
| **At 31 December 2008** | | | | |
| Cost | 2,358 | 18,100 | 36 | 20,494 |
| Accumulated amortisation | (2,222) | (14,997) | (21) | (17,240) |
| Impairment | - | (105) | - | (105) |
| **Net book amount at 31 December 2008** | **136** | **2,998** | **15** | **3,149** |
| **Year ended 31 December 2009** | | | | |
| Opening net book amount | 136 | 2,998 | 15 | 3,149 |
| Additions | - | 1,012 | 18 | 1,030 |
| Amortisation charge | (125) | (1,589) | (10) | (1,724) |
| **Net book amount at 31 December 2009** | **11** | **2,421** | **23** | **2,455** |
| **At 31 December 2009** | | | | |
| Cost | 2,155 | 18,231 | 54 | 20,440 |
| Accumulated amortisation | (2,144) | (15,705) | (31) | (17,880) |
| Accumulated impairment | - | (105) | - | (105) |
| **Net book amount at 31 December 2009** | **11** | **2,421** | **23** | **2,455** |

The structure of the Company's intangible assets as at 31 December 2009 and 31 December 2008 is as follows:

| Company | Patents and licences | Software | Other intangible assets | Total |
|---|---|---|---|---|
| **At 31 December 2007** | | | | |
| Cost | 2,277 | 17,501 | - | 19,778 |
| Accumulated amortisation | (1,667) | (13,108) | - | (14,775) |
| **Net book amount at 31 December 2007** | **610** | **4,393** | **-** | **5,003** |
| **Year ended 31 December 2008** | | | | |
| Opening net book amount | 610 | 4,393 | - | 5,003 |
| Additions | - | 470 | - | 470 |
| Amortisation charge | (492) | (1,837) | - | (2,329) |
| **Net book amount at 31 December 2008** | **118** | **3,026** | **-** | **3,144** |
| **At 31 December 2008** | | | | |
| Cost | 2,277 | 17,941 | - | 20,218 |
| Accumulated amortisation | (2,159) | (14,915) | - | (17,074) |
| **Net book amount at 31 December 2008** | **118** | **3,026** | **-** | **3,144** |
| **Year ended 31 December 2009** | | | | |
| Opening net book amount | 118 | 3,026 | - | 3,144 |
| Additions | - | 850 | - | 850 |
| Amortisation charge | (118) | (1,516) | - | (1,634) |
| **Net book amount at 31 December 2009** | **-** | **2,360** | **-** | **2,360** |
| **At 31 December 2009** | | | | |
| Cost | 2,073 | 17,910 | - | 19,983 |
| Accumulated amortisation | (2,073) | (15,550) | - | (17,623) |
| **Net book amount at 31 December 2009** | **-** | **2,360** | **-** | **2,360** |

### 4 *Intangible assets (continued)*

Acquisition cost of the Group's and the Company's intangible assets, which were fully amortised but still in use as at 31 December 2009 and 31 December 2008, is as follows:

| Category of intangible assets | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Patents and licenses | 2,073 | 2,073 | 817 | 817 |
| Computer software | 13,140 | 13,089 | 12,628 | 12,583 |
| **Total** | **15,213** | **15,162** | **13,445** | **13,400** |

### 5 *Property, plant and equipment*

The structure of the Group's property, plant and equipment as at 31 December 2009 and 31 December 2008 is as follows:

| Group | Land | Buildings | Structures and machinery | Hydro Power Plant and Pumped Storage Power Plant | Motor vehicles | Other PP&E | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2007** | | | | | | | | |
| Cost | 84 | 153,967 | 2,110,616 | 592,794 | 24,893 | 138,693 | 121,330 | 3,142,377 |
| Accumulated depreciation | - | (20,829) | (419,252) | (72,866) | (14,796) | (72,087) | - | (599,830) |
| Accumulated impairment | - | (145) | (1,235) | (369) | - | (728) | - | (2,477) |
| **Net book amount** | **84** | **132,993** | **1,690,129** | **519,559** | **10,097** | **65,878** | **121,330** | **2,540,070** |
| **Year ended 31 December 2008** | | | | | | | | |
| Opening net book amount | 84 | 132,993 | 1,690,129 | 519,559 | 10,097 | 65,878 | 121,330 | 2,540,070 |
| Additions | 35 | 602 | 5,095 | 56,321 | 2,919 | 5,591 | 93,675 | 164,238 |
| Revaluation | 167 | 60,924 | 533,453 | - | 19 | 6,863 | 342 | 601,768 |
| Disposals | - | (7) | (21) | - | (31) | (3) | - | (62) |
| Write-offs | - | - | (1,248) | (13) | (273) | (2,958) | - | (4,492) |
| Impairment | - | (6,541) | (2,778) | (769) | - | - | - | (10,088) |
| Reclassification between groups | - | 12,194 | 52,550 | - | - | 4,401 | (69,145) | - |
| Transferred to investment property (Note 6) | - | (3,919) | - | - | - | - | - | (3,919) |
| Depreciation charge | - | (3,325) | (94,646) | (19,473) | (3,135) | (17,265) | - | (137,844) |
| **Net book amount** | **286** | **192,921** | **2,182,534** | **555,625** | **9,596** | **62,507** | **146,202** | **3,149,671** |
| **At 31 December 2008** | | | | | | | | |
| Cost or revaluated amount | 286 | 199,607 | 2,186,547 | 648,893 | 9,596 | 63,235 | 146,202 | 3,254,366 |
| Accumulated depreciation | - | - | - | (92,130) | - | - | - | (92,130) |
| Accumulated impairment | - | (6,686) | (4,013) | (1,138) | - | (728) | - | (12,565) |
| **Net book amount** | **286** | **192,921** | **2,182,534** | **555,625** | **9,596** | **62,507** | **146,202** | **3,149,671** |

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

| Group | Land | Buildings | Structures and machinery | Hydro Power Plant and Pumped Storage Power Plant | Motor vehicles | Other PP&E | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2009** | | | | | | | | |
| Opening net book amount | 286 | 192,921 | 2,182,534 | 555,625 | 9,596 | 62,507 | 146,202 | 3,149,671 |
| Additions | - | 4,610 | 1,039 | 38,830 | 245 | 14,347 | 49,384 | 108,455 |
| Revaluation | - | (44,509) | (191,900) | - - | - | (3) | (522) | (236,934) |
| Disposals | - | (306) | - | - | - | (2) | - | (308) |
| Write-offs | - | - | (1,504) | (332) | - | (19) | - | (1,855) |
| Reversal of impairment | - | - | - | 369 | - | - | - | 369 |
| Reclassification between groups | - | 7,014 | 147,133 | - | - | 14,256 | (168,403) | 0 |
| Transferred to inventories | - | (4,619) | (2,165) | - | - | (1,258) | - | (8,042) |
| Transferred to investment property (Note 6) | - | (20,064) | - | - | - | | - | (20,064) |
| Depreciation charge | - | (4,875) | (129,815) | (22,283) | (2,900) | (19,474) | - | (179,347) |
| **Net book amount** | **286** | **130,172** | **2,005,322** | **572,209** | **6,941** | **70,354** | **26,661** | **2,811,945** |
| | | | | | | | | |
| **At 31 December 2009** | | | | | | | | |
| Cost or revaluated amount | 286 | 135,125 | 2,009,335 | 687,391 | 9,841 | 90,084 | 26,661 | 2,958,723 |
| Accumulated depreciation | - | - | - | (114,413) | (2,900) | (19,474) | - | (136,787) |
| Accumulated impairment | - | (4,953) | (4,013) | (769) | - | (256) | - | (9,991) |
| **Net book amount** | **286** | **130,172** | **2,005,322** | **572,209** | **6,941** | **70,354** | **26,661** | **2,811,945** |

As discussed in Note 2.2, the property, plant and equipment of the Group, except Hydro Power Plant and Pumped Storage Power Plant assets, has been revalued as of 31 December 2008. The total effect of revaluation amounting to LTL 601,768 thousand was accounted as follows: LTL 615,891 thousand increase in value was accounted in revaluation reserve net of LTL 123,168 thousand deferred tax, and LTL 14,123 thousand decrease in value was accounted as impairment charge in the consolidated statement of comprehensive income.

As described in Note 3, revaluation of property, plant and equipment of the Group (except for the assets of the Hydro Power Plant and the Pumped Storage Plant) was carried out as at 31 December 2009. The total amount of the decrease arising on revaluation was LTL 236,934 thousand and the latter amount was recognised as follows:

| | Decrease in other comprehensive income and revaluation reserve in equity | Charged to the profit and loss | Total revaluation deficit |
|---|---|---|---|
| Assets previously revalued using depreciated replacement cost method | 124,307 | 73,058 | 197,365 |
| Assets previously revalued using comparative prices method | 31,467 | 8,102 | 39,569 |
| | **155,774** | **81,160** | **236,934** |

As at 31 December 2009, the Group reclassified the asset of LTL 8,042 thousand, net of impairment of LTL 2,927 thousand, from the category of buildings, structures and machinery and other property, plant and equipment to inventories (Note 9).

The structure of the Company's property, plant and equipment as at 31 December 2009 and 31 December 2008 is as follows:

| Company | Land | Buildings | Structures and machinery | Hydro Power Plant and Pumped Storage Power Plant | Motor vehicles | Other PP&E | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2007** | | | | | | | | |
| Cost | 84 | 127,324 | 2,101,368 | 592,794 | 22,508 | 137,912 | 122,925 | 3,104,915 |
| Accumulated depreciation | - | (18,837) | (415,860) | (72,866) | (13,917) | (71,674) | - | (593,154) |
| Accumulated impairment | - | (145) | (1,224) | (369) | - | (728) | - | (2,466) |
| **Net book amount** | **84** | **108,342** | **1,684,284** | **519,559** | **8,591** | **65,510** | **122,925** | **2,509,295** |

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

| Company | Land | Buildings | Struc-tures and machi-nery | Hydro Power Plant and Pumped Storage Power Plant | Motor vehicles | Other PP&E | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2008** | | | | | | | | |
| Opening net book amount | 84 | 108,342 | 1,684,284 | 519,559 | 8,591 | 65,510 | 122,925 | 2,509,295 |
| Additions | 35 | - | 1,823 | 56,321 | 2,852 | 5,539 | 81,755 | 148,325 |
| Revaluation | 167 | 54,956 | 531,646 | - | - | 6,269 | (217) | 592,821 |
| Write-offs | - | - | (938) | (13) | (273) | (2,958) | - | (4,182) |
| Impairment | - | - | - | (769) | - | - | - | (769) |
| Reversal of impairment | - | - | - | - | - | - | - | - |
| Reclassifications between groups | - | 748 | 52,643 | - | - | 4,733 | (58,124) | - |
| Transferred to investment property (Note 6) | - | (5,017) | - | - | - | - | - | (5,017) |
| Depreciation charge | - | (2,770) | (93,538) | (19,473) | (2,827) | (17,175) | - | (135,783) |
| **Net book amount** | **286** | **156,259** | **2,175,920** | **555,625** | **8,343** | **61,918** | **146,339** | **3,104,690** |
| **At 31 December 2008** | | | | | | | | |
| Cost or revaluated amount | 286 | 156,404 | 2,177,144 | 648,893 | 8,343 | 62,646 | 146,339 | 3,200,055 |
| Accumulated depreciation | - | - | - | (92,130) | - | - | - | (92,130) |
| Accumulated impairment | - | (145) | (1,224) | (1,138) | - | (728) | - | (3,235) |
| **Net book amount** | **286** | **156,259** | **2,175,920** | **555,625** | **8,343** | **61,918** | **146,339** | **3,104,690** |
| **Year ended 31 December 2009** | | | | | | | | |
| Opening net book amount | 286 | 156,259 | 2,175,920 | 555,625 | 8,343 | 61,918 | 146,339 | 3,104,690 |
| Additions | - | 4,009 | 887 | 38,830 | 73 | 14,047 | 49,795 | 107,641 |
| Revaluation | - | (40,321) | (191,900) | - | - | - | (522) | (232,743) |
| Write-offs | - | - | (853) | (332) | - | (11) | - | (1,196) |
| Reversal of impairment | - | - | - | 369 | - | - | - | 369 |
| Reclassifications between groups | - | 7,014 | 147,133 | - | - | 14,256 | (168,403) | - |
| Transferred to investment property (Note 6) | - | (22,208) | - | - | - | - | - | (22,208) |
| Disposals | - | - | - | - | - | (2) | - | (2) |
| Depreciation charge | - | (4,113) | (128,757) | (22,283) | (2,560) | (19,387) | - | (177,100) |
| **Net book amount** | **286** | **100,640** | **2,002,430** | **572,209** | **5,856** | **70,821** | **27,209** | **2,779,451** |
| **At 31 December 2009** | | | | | | | | |
| Cost or revaluated amount | 286 | 100,785 | 2,003,654 | 687,391 | 8,416 | 90,936 | 27,209 | 2,918,677 |
| Accumulated depreciation | - | - | - | (114,413) | (2,560) | (19,387) | - | (136,360) |
| Accumulated impairment | - | (145) | (1,224) | (769) | - | (728) | - | (2,866) |
| **Net book amount** | **286** | **100,640** | **2,002,430** | **572,209** | **5,856** | **70,821** | **27,209** | **2,779,451** |

As discussed in Note 2.2, the property, plant and equipment of the Company, except Hydro Power Plant and Pumped Storage Power Plant assets, has been revalued as of 31 December 2008. The total effect of revaluation amounting to LTL 592,821 thousand was accounted as follows: LTL 604,038 thousand increase in value was accounted in revaluation reserve net of LTL 120,808 thousand deferred tax, and LTL 11,217 thousand decrease in value was accounted as impairment charge in the Company's statement of comprehensive income.

As described in Note 3, revaluation of property, plant and equipment of the Company (except for the assets of the Hydro Power Plant and the Pumped Storage Plant) was carried out as at 31 December 2009. The total amount of the decrease arising on revaluation was LTL 232,743 thousand and the latter amount was recognised as follows:

| | Decrease in other comprehensive income and revaluation reserve in equity | Charged to the profit and loss | Total revaluation deficit |
|---|---|---|---|
| Assets previously revalued using depreciated replacement cost method | 124,307 | 73,058 | 197,365 |
| Assets previously revalued using comparative prices method | 27,402 | 7,976 | 35,378 |
| | **151,709** | **81,034** | **232,743** |

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

The key investment projects completed by the Company in 12 months period of 2009 are as follows:

| Project | Value, LTL thousand |
|---|---|
| Reconstruction of 330/110/10kV Vilnius transformer substation | 86,747 |
| Renovation of electricity transmission lines Kaunas - Jonava - Kėdainiai - Panevėžys | 18,281 |
| Reconstruction of 110kV N. Akmenė transformer substation | 11,987 |
| Reconstruction of 110/10kV Centras transformer substation | 7,876 |
| Reconstruction of 110/10kV Noreikiškiai transformer substation | 5,240 |
| Replacement of a part of 110kV air line | 4,404 |
| Construction of 110kV switchgear at 110/10kV Šventininkai transformer substation | 4,257 |

Net book amounts of property, plant and equipment acquired by the Group under financial lease contracts as at 31 December 2009 and 31 December 2008 are as follows:

| Category of PP&E | At 31 December 2009 | At 31 December 2008 |
|---|---|---|
| Machinery and equipment | 3,705 | 4,301 |
| Motor vehicles | 331 | 100 |
| **Total** | **4,036** | **4,401** |

The Group/Company has significant contractual obligations to purchase non-current tangible assets, which have to be fulfilled in later periods. The Company continues an investment project on the modernisation of Kaunas Hydro Power Plant valued at LTL 125 million. LTL 30 million from this amount will be financed by the European Regional Development Fund and from the national co-financing. Alstom Power Sweden AB is the general contractor of the project. As at 31 December 2009, construction works for LTL 113 million have been completed under the general contract. The Group's/Company's liability under this project amounts to LTL 12 million as at 31 December 2009 (31 December 2008: LTL 51 million). The Group's/Company's other material purchase commitments related to non-current tangible assets amounts to LTL 10.5 million as at 31 December 2009 (31 December 2008: LTL 9 million).

Below are presented carrying amounts of the Company's and the Group's property, plant and equipment that would have been recognised had the assets been carried using a cost method as at 31 December 2009.

| **Group** | **Land** | **Buildings** | **Structures and machinery** | **Hydro Power Plant and Pumped Storage Power Plant** | **Motor vehicles** | **Other PP&E** | **Construc-tion in progress** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2009** | | | | | | | | |
| **Net book amount** | **119** | **138,355** | **1,716,259** | **572,209** | **6,913** | **68,794** | **27,948** | **2,530,597** |

| **Company** | **Land** | **Buildings** | **Structures and machinery** | **Hydro Power Plant and Pumped Storage Power Plant** | **Motor vehicles** | **Other PP&E** | **Construc-tion in progress** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2009** | | | | | | | | |
| **Net book amount** | **119** | **98,772** | **1,708,012** | **572,209** | **5,856** | **67,844** | **27,948** | **2,480,760** |

## 6 *Investment property*

| | Group | Company |
|---|---|---|
| **At 31 December 2007** | | |
| Cost | - | 6,054 |
| Accumulated depreciation | - | (291) |
| **Net book amount** | - | **5,763** |
| **Year ended 31 December 2008** | | |
| Opening net book amount | - | 5,763 |
| Additions | 3,919 | 11,095 |
| Transferred from property, plant and equipment | - | 5,017 |
| Depreciation charge | - | (96) |
| **Net book amount at 31 December 2008** | **3,919** | **21,779** |
| **At 31 December 2008** | | |
| Cost | 4,377 | 22,699 |
| Accumulated depreciation | (458) | (920) |
| **Net book amount at 31 December 2008** | **3,919** | **21,779** |
| **Year ended 31 December 2009** | | |
| Opening net book amount | 3,919 | 21,779 |
| Transferred from property, plant and equipment (Note 5) | 20,064 | 22,208 |
| Impairment charge | (6,362) | (6,362) |
| Depreciation charge | (361) | (594) |
| **Net book amount at 31 December 2009** | **17,260** | **37,031** |
| **At 31 December 2009** | | |
| Cost | 24,441 | 44,907 |
| Accumulated impairment charge | (6,362) | (6,362) |
| Accumulated depreciation | (819) | (1,514) |
| **Net book amount at 31 December 2009** | **17,260** | **37,031** |

In 2009 Group and Company recognised the impairment charge for some investment properties based on decrease in certain real estate market prices as estimated by an independent valuer Ober-Haus Nekilnojamasis Turtas UAB. The impairment charge was accounted for by reducing revaluation reserve, as this investment property was transferred from property, plant and equipment, which was accounted for at fair value.

As estimated by the Company based on observable market data, the fair value of the investment property of the Group and the Company as at 31 December 2009 approximates to their carrying amounts. The fair value of the investment property of the Group and the Company as at 31 December 2008 as determined by the independent valuators amounted to LTL 9,508 thousand and LTL 28,299 thousand, respectively.

Income from lease of investment property of the Group and the Company in 12 months period of 2009 amounted to LTL 883 thousand and LTL 1,794 thousand, respectively. Rental income of the Group and the Company in 2008 amounted to LTL 487 thousand and 1,005 thousand, respectively. The average validity term of lease contracts concluded is 2 years as at 31 December 2009.

## 7 *Investments*

As at 31 December 2009 and 31 December 2008, the Company had direct control over these subsidiaries:

| Subsidiary | Acquisition cost | Impairment | Carrying amount |
|---|---|---|---|
| **At 31 December 2009** | | | |
| Kauno Energetikos Remontas UAB | 31,341 | (15,441) | 15,900 |
| Kruonio Investicijos UAB | 2,361 | (914) | 1,447 |
| Energetikos Pajėgos UAB | 414 | - | 414 |
| LITGRID UAB | 500 | - | 500 |
| Energijos Tiekimas UAB | 400 | - | 400 |
| Interlinks UAB | 903 | - | 903 |
| Respublikinis energetikų mokymo centras VŠĮ | - | - | - |
| **Total** | **35,919** | **(16,355)** | **19,564** |

| Subsidiary | Acquisition cost | Impairment | Carrying amount |
|---|---|---|---|
| **At 31 December 2008** | | | |
| Kauno Energetikos Remontas UAB | 31,341 | (15,441) | 15,900 |
| Kruonio Investicijos UAB | 2,361 | (607) | 1,754 |
| Energetikos Pajėgos UAB | 414 | - | 414 |
| **Total** | **34,116** | **(16,048)** | **18,068** |

Energijos Tiekimas UAB was established at the end of 2009. The principal activities of Energijos Tiekimas UAB include an independent supply of electricity, representing supply, planning, projecting, balancing, purchase, sale, import, export of electricity and other related activities. The objective of the company is the performance of operations of an independent suppliers in Lithuania, Latvia and Estonia from the beginning of 2010.

Litgrid UAB was established at the end of 2009. As the transmission system operator Litgrid UAB starting 1 January 2010 will be responsible for ensuring effective and reliable operation of the Lithuanian power system.

Baltpool UAB was established at the end of 2009 as a subsidiary of Litgrid UAB to perform the functions of the Lithuanian electricity market operator. The principal activity of Baltpool UAB is the organisation of transmission trading.

Respublikinis energetikų mokymo centras VŠĮ is a non-profit public legal person of limited civil liability founded according to the procedure prescribed by the Law on Public Establishments. The Lithuanian Law on Public Establishments No. I-1428 imposes limitations on the allocation of the profit earned by a public establishment. The profit earned by a public establishment may not be used for any other objectives than those specified in the articles of association of the public establishment.

Based on the Board's decision of 7 October 2009 the Company acquired InterLinks UAB from LEO, AB. The main project developed by InterLinks UAB is the interconnection between the electricity transmission systems of Lithuania and Sweden.

Assets and liabilities acquired in the acquisition transaction of Interlinks UAB are as follows:

| | Carrying amount |
|---|---|
| Intangible assets | 17 |
| Current accounts receivable | 101 |
| Cash and cash equivalents | 120 |
| Current borrowings | (691) |
| Current accounts payable and other liabilities | (63) |
| **Net assets acquired** | **(516)** |

The Company had indirect control over Gotlitas UAB and until 2 June 2009 over Kaliningradski Energoremont OOO, i.e. through Kauno Energetikos Remontas UAB (Note 1). The Company also had indirect control over BALTPOOL UAB through LITGRID UAB.

## 7 *Investments (continued)*

Structure of the Company's investments in the associates and the joint venture as at 31 December 2009 and 31 December 2008 is as follows:

| Company At 31 December 2009 | Acquisition cost | Ownership (% of shares) | Impairment | Carrying amount |
|---|---|---|---|---|
| Nordic Energy Link AS | 21,175 | 25.00 | - | 21,175 |
| Geoterma UAB | 7,396 | 23.44 | (3,718) | 3,678 |
| LitPol Link Sp.z.o.o | 1,020 | 50.00 | (1,020) | - |
| **Total** | **29,591** | | **(4,738)** | **24,853** |

| Company At 31 December 2008 | Acquisition cost | Ownership (% of shares) | Impairment | Carrying amount |
|---|---|---|---|---|
| Nordic Energy Link AS | 21,175 | 25.00 | - | 21,175 |
| Geoterma UAB | 7,396 | 23.44 | (4,104) | 3,292 |
| LitPol Link Sp.z.o.o | 1,020 | 50.00 | (727) | 293 |
| **Total** | **29,591** | | **(4,831)** | **24,760** |

Structure of the Group's investments in the associates and the joint venture as at 31 December 2009 and 31 December 2008 is as follows:

| Group At 31 December 2009 | Acquisition cost | Ownership (% of shares) | Impairment and equity method | Carrying amount |
|---|---|---|---|---|
| Nordic Energy Link AS | 21,175 | 25.00 | 970 | 22,145 |
| Geoterma UAB | 7,396 | 23.44 | (3,718) | 3,678 |
| LitPol Link Sp.z.o.o | 1,020 | 50.00 | (1,020) | - |
| Enmašas UAB | 20 | 33.33 | (6) | 14 |
| **Total** | **29,611** | | **(3,774)** | **25,837** |

### *7 Investments (continued)*

| Group At 31 December 2008 | Acquisition cost | Ownership (% of shares) | Impairment and equity method | Carrying amount |
|---|---|---|---|---|
| Nordic Energy Link AS | 21,175 | 25.00 | 848 | 22,023 |
| Geoterma UAB | 7,396 | 23.44 | (4,104) | 3,292 |
| LitPol Link Sp.z.o.o | 1,020 | 50.00 | (727) | 293 |
| Enmašas UAB | 20 | 33.33 | 71 | 91 |
| **Total** | **29,611** | | **(3,912)** | **25,699** |

Financial position as at 31 December 2009 and 31 December 2008 and operating results for the years 2009 and 2008 of the associates and the joint venture are as follows (unaudited):

| At 31 December 2009 | Assets | Liabilities | Sales revenue | Net profit (loss) |
|---|---|---|---|---|
| Nordic Energy Link AS | 327,797 | 244,612 | 61,395 | 3,880 |
| Geoterma UAB | 56,749 | 16,591 | 18,333 | 2,122 |
| LitPol Link Sp.z.o.o | 1,627 | 1,092 | 2,917 | (71) |
| Enmašas UAB * | 208 | - | 28 | (66) |

| At 31 December 2008 | Assets at 31 December 2008 | Liabilities at 31 December 2008 | Sales revenue | Net profit (loss) |
|---|---|---|---|---|
| Nordic Energy Link AS | 332,499 | 253,195 | 77,260 | 1,732 |
| Geoterma UAB | 55,460 | 41,413 | 1,475 | (5,887) |
| LitPol Link Sp.z.o.o | 885 | 299 | - | (1,082) |
| Enmašas UAB | 285 | 11 | 61 | (45) |

*- at the date of signing of these financial statements, the financial statements of this company have not been presented. On 25 September 2009, Enmašas UAB was placed under the liquidation status.

Movements of investments in the associates and the joint venture during the periods ended 31 December 2009 and 31 December 2008 were as follows:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| **Carrying amount at 1 January** | **25,699** | **24,760** | **23,237** | **22,822** |
| Increase in investments | - | - | 4,063 | 4,043 |
| Increase (decrease) in value of investments | - | 93 | - | (2,105) |
| Share of financial result (loss) of associates and joint ventures | 138 | - | (1,601) | - |
| **Carrying amount at the end of the period** | **25,837** | **24,853** | **25,699** | **24,760** |

The impairment charge was included in finance costs in the statement of comprehensive income.

## 8 *Non-current receivables*

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

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Other receivables | 538 | 538 | 651 | 651 |
| **Total** | **538** | **538** | **651** | **651** |
| Less: current portion (Note 11) | (28) | (28) | (27) | (27) |
| **Carrying amount** | **510** | **510** | **624** | **624** |

The fair value of other non-current accounts receivable approximates their carrying amounts.

## 9 *Inventories*

Inventories of the Group and the Company are shown in the table below.

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Materials and consumables, production in progress and finished goods at acquisition (production) cost | 9,291 | 4,144 | 9,923 | 5,065 |
| Non-current assets held for sale | 3,205 | - | 535 | 319 |
| Goods for resale at acquisition cost | 146 | 146 | - | - |
| Less: write-down to net realisable value | (5,618) | (1,045) | (4,448) | (858) |
| **Carrying amount** | **7,024** | **3,245** | **6,010** | **4,526** |

The acquisition cost of the Group's and the Company's inventories accounted for at net realisable value as at 31 December 2009 amounted to LTL 5,782 thousand and LTL 1,454 thousand, respectively (31 December 2008: LTL 6,329 thousand and LTL 1,255 thousand, respectively).

Amount of inventory recognised as expense in the Group and the Company during the period ended 31 December 2009 amounted to LTL 9,075 thousand and LTL 4,831 thousand, respectively (2008: LTL 14,863 thousand and LTL 7,322 thousand, respectively).

As described in Note 5, in 2009 the Group transferred buildings, structures and machinery and other property, plant and equipment amounting to LTL 8,042 thousand to the category of assets held for sale, from which LTL 4,837 thousand were disposed in 2009. The Group's management has approved the sale plan for the residual property and expects to complete the sale within the next year.

Movements in impairment of inventories during the periods ended 31 December 2009 and 31 December 2008 are shown in the table below:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| **Impairment provision for inventories at 1 January** | 4,448 | 858 | 482 | 396 |
| Write-down of inventories during the reporting period | 1,375 | 393 | 4,358 | 838 |
| Reversal of inventory write-down | (205) | (206) | (392) | (376) |
| **Impairment provision for inventories at 31 December** | **5,618** | **1,045** | **4,448** | **858** |

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

### 10 *Trade receivables*

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

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Receivables for electricity sold in Lithuania | 142,037 | 142,037 | 55,007 | 55,007 |
| Receivables for exported electricity | 23,543 | 23,543 | 19,614 | 19,614 |
| Unbilled revenue from electricity-related sales | 8,576 | 8,576 | 51,308 | 51,308 |
| Receivables for repair and design works | 7,894 | - | 10,353 | - |
| VAT on unbilled revenue | 25 | 25 | 9,749 | 9,749 |
| Receivables for electricity transit | - | - | 574 | 574 |
| **Total** | **182,075** | **174,181** | **146,605** | **136,252** |
| Less: provision for doubtful receivables | (11,733) | (10,024) | (10,313) | (9,612) |
| **Carrying amount** | **170,342** | **164,157** | **136,292** | **126,640** |

The fair value of trade receivables approximates their carrying amounts.

Movements in impairment of trade receivables during the periods ended 31 December 2009 and 31 December 2008 are shown in the table below:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| **Carrying amount at 1 January** | **10,313** | **9,612** | **9,947** | **9,612** |
| Recognised as doubtful receivables in the reporting period | 1,420 | 412 | 375 | - |
| Reversal of doubtful receivables | - | - | (9) | - |
| **Carrying amount at the end of the period** | **11,733** | **10,024** | **10,313** | **9,612** |

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

As at 31 December 2009 and 31 December 2008, the majority of impaired trade receivables of the Group and the Company consisted of trade receivables from Ekranas AB (LTL 9,612 thousand) which had gone bankrupt as of the date of the financial statements.

Trade receivables that are more than 60 days past due are considered impaired. The ageing analysis of the Group's and the Company's trade receivables that were not recognised as past due or were recognised as past due but not impaired is as follows:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Not past due | 163,877 | 162,780 | 133,584 | 126,257 |
| Past due up to 30 days | 3,085 | 1,377 | 2,465 | 383 |
| Past due from 30 to 60 days | 3,380 | - | 243 | - |
| **Carrying amount** | **170,342** | **164,157** | **136,292** | **126,640** |

### *11 Other receivables*

Current other trade receivables of the Group and the Company are as follows:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Loan granted to LEO AB | 73,309 | 73,309 | - | - |
| Other receivables | 4,444 | 4,199 | 5,941 | 5,903 |
| Receivables for IT and telecommunications services | 2,623 | 2,623 | 2,805 | 2,830 |
| Accrued interest receivable | 840 | 840 | 126 | 126 |
| Current portion of long-term receivables (Note 8) | 28 | 28 | 27 | 27 |
| Deferred VAT receivable | - | - | 5,344 | 5,344 |
| Loan granted to Interlinks | - | 691 | | |
| Receivable from Visagino Atominė Elektrinė and UAB InterLinks UAB | - | - | 7,413 | 7,413 |
| VAT receivable from the budget | - | - | 332 | - |
| **Total** | **81,244** | **81,690** | **21,988** | **21,643** |
| Less: provision for doubtful receivables | (3,676) | (3,676) | (4,870) | (4,870) |
| **Carrying amount at the end of the period** | **77,568** | **78,014** | **17,118** | **16,773** |

The repayment date of the loan granted to LEO AB is 31 May 2010. The loan bears interest rate of 1 month VILIBOR plus 0.75 per cent margin.

Movements in impairment of doubtful other receivables during the periods ended 31 December 2009 and 31 December 2008 are as follows:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| **Carrying amount at 1 January** | **4,870** | **4,870** | **4,860** | **4,860** |
| Reversal of doubtful receivables | (4) | (4) | - | - |
| Write-down of doubtful receivables | (1,388) | (1,388) | - | - |
| Recognised as doubtful receivables in the reporting period | 198 | 198 | 10 | 10 |
| **Carrying amount at the end of the period** | **3,676** | **3,676** | **4,870** | **4,870** |

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

Other receivables that are more than 60 days past due are considered impaired. The ageing analysis of the Group's and the Company's current other receivables that were not recognised as past due or were recognised as past due but not impaired is as follows:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Not past due | 77,258 | 77,704 | 16,989 | 16,644 |
| Past due up to 30 days | 144 | 144 | 54 | 54 |
| Past due from 30 to 60 days | 166 | 166 | 75 | 75 |
| **Carrying amount** | **77,568** | **78,014** | **17,118** | **16,773** |

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

### *12 Other financial assets*

Other financial assets of the Group and the Company as at 31 December 2008 included bonds issued by the Lithuanian and Finnish Governments with the maturity expiring in March and April of 2009. Bonds were sold in March and April of 2009.

On 9 June 2009, the Company acquired 12,314 units of debt securities issued by the Lithuanian Government with the maturity of one year. The nominal value of the issue was EUR 12,314 thousand, the total amount paid was EUR 11,500 thousand (LTL 39,705 thousand). Yield prior to maturity was 6.85 per cent. Bonds were sold between November and December 2009.

### *13 Term deposits*

Term deposits of the Group and the Company are shown in the table below:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Term deposit at SEB Bankas AB (contract currency litas), maturity – June 2010 | 17,000 | 17,000 | - | - |
| Other term deposits | 160 | - | 200 | - |
| **Carrying amount** | **17,160** | **17,000** | **200** | **-** |

The carrying amounts of term deposits approximate their fair values. Interest rates on term deposits ranges from 8.31 per cent to 8.40 per cent.

### *14 Cash and cash equivalents*

Cash and cash equivalents of the Group and the Company are disclosed in the table below:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Cash at bank and in hand | 9,286 | 6,866 | 23,972 | 23,481 |
| Term deposit at Swedbank AB (contract currency litas), maturity – January 2010 | 10,000 | 10,000 | - | - |
| Term deposit at Swedbank AB (contract currency litas), maturity – January 2010 | 10,000 | 10,000 | - | - |
| Term deposit at Danske Bankas (contract currency litas), maturity – January 2010 | 10,000 | 10,000 | - | - |
| Term deposit at Danske Bankas (contract currency litas), maturity – January 2010 | 7,000 | 7,000 | - | - |
| Term deposit at Danske Bankas (contract currency litas), maturity – January 2010 | 7,000 | 7,000 | - | - |
| Overnight deposit at Swedbank AB (contract currency litas) | 481 | 481 | - | - |
| Term deposit at SEB Bankas AB (contract currency litas), maturity – February 2010 | 300 | - | - | - |
| Term deposit at SEB Bankas AB (contract currency litas), maturity – January 2010 | 100 | - | - | - |
| Term deposit at Nordea Bank Finland Plc., Lithuania Branch (contract currency litas), maturity – January 2009 | - | - | 360 | - |
| Term deposit at UniCredit, Lithuanian Branch (contract currency litas), maturity – January 2009 | | - | 15,000 | 15,000 |
| Term deposit at SEB Bankas AB (contract currency litas), maturity – January 2009 | - | - | 29,000 | 29,000 |
| Overnight deposit at Swedbank AB (contract currency litas) | - | - | 1,701 | 1,701 |
| Overnight deposit at Swedbank AB (contract currency euro) | - | - | 424 | 424 |
| **Carrying amount** | **54,167** | **51,347** | **70,457** | **69,606** |

## 14 Cash and cash equivalents (continued)

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

Term deposits placed at Swedbank AB (2 deposits amounting to LTL 10,000 thousand each) with the maturity expiring in January 2010 are pledged to Swedbank AB as a security for the Company's liabilities assumed under the bank guarantee agreement concluded on 31 December 2009.

The original maturity of all deposits is three months or less and the weighted average interest rate of the Group and the Company is 5.28 per cent as at 31 December 2009 (31 December 2008: 4.30 per cent and 4.31 per cent, respectively).

As at 31 December 2009, the Company had no effective overdraft agreements.

## 15 Share capital

As at 31 December 2009, the share capital of the Company was LTL 689,515,435 and it was divided into 689,515,435 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The highest share price at the Stock Exchange session in 2009 was LTL 3.39 per share (2008: LTL 4.83), the lowest – LTL 1.29 per share (2008: LTL 2.04). The number of shareholders as at 31 December 2009 was 5,867 (2008: 5,804).

The shareholders' structure of the Company is as follows:

| | Share capital at 31 December 2009 | | Share capital at 31 December 2008 | |
|---|---|---|---|---|
| **Shareholders** | **LTL** | **%** | **LTL** | **%** |
| LEO LT, AB | 664,700,833 | 96.40 | 664,700,833 | 96.40 |
| State of Lithuania represented by the Ministry of the Energy | 556 | 0.00 | 303,442 | 0.04 |
| Other | 24,814,046 | 3.60 | 24,511,160 | 3.56 |
| **Total** | **689,515,435** | **100.00** | **689,515,435** | **100.00** |

LEO LT, AB is owned by the State of Lithuania represented by the Ministry of the Energy (100 %).

## 16 Legal reserve

Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit are compulsory until the reserve reaches 10 % of the share capital. As at 31 December 2009 and 31 December 2008, the Company had fully formed a legal reserve, which accounted for 10 per cent of the share capital and amounted to LTL 68,952 thousand.

## 17 Other reserves

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

| Group | Reserve for share capital reduction due to transfer of fuel oil storage facilities | Reserve for invest-ments | Reserve for support, tantiemes & bonuses | Non-current asset-related reserves | Other reserves | Total |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2007** | **(63,777)** | **162,744** | **1,719** | **1,293,569** | **10,531** | **1,404,786** |
| Reserves established | - | - | 3,053 | - | 48,443 | 51,496 |
| Reserves utilised | - | - | (1,752) | - | - | (1,752) |
| **Balance at 31 December 2008** | **(63,777)** | **162,744** | **3,020** | **1,293,569** | **58,974** | **1,454,530** |
| Reserves utilised | - | (162,744) | (3,020) | (1,293,569) | (58,974) | (1,518,307) |
| **Balance at 31 December 2009** | **(63,777)** | **-** | **-** | **-** | **-** | **(63,777)** |

### *17 Other reserves (continued)*

| Company | Reserve for share capital reduction due to transfer of fuel oil storage facilities | Reserve for invest-ments | Reserve for support, tantiemes & bonuses | Non-current asset-related reserves | Other reserves | Total |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2007** | **(63,777)** | **160,637** | **1,700** | **1,293,569** | **10,531** | **1,402,660** |
| Reserves established | - | - | 2,780 | - | 47,831 | 50,611 |
| Reserves utilised | - | - | (1,700) | - | - | (1,700) |
| **Balance at 31 December 2008** | **(63,777)** | **160,637** | **2,780** | **1,293,569** | **58,362** | **1,451,571** |
| Reserves utilised | - | (160,637) | (2,780) | (1,293,569) | (58,362) | (1,515,348) |
| **Balance at 31 December 2009** | **(63,777)** | **-** | **-** | **-** | **-** | **(63,777)** |

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

After the first time adoption of IFRS on 1 January 2004 the retained earnings of the Company increased by LTL 1,369,457 thousand. For the purpose of restricting the distribution of such profit, the general meeting of shareholders held on 20 April 2006 decided to form a reserve related to non-current assets from retained earnings.

Based on the decision of the shareholders' meeting held on 30 April 2009 a transfer of LTL 1,515,348 thousand was made from the other reserves to retained earnings.

### *18 Borrowings*

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

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Not later than within one year | 14,200 | 13,811 | 271 | - |
| Within the second year | - | - | 13,811 | 13,811 |
| **Total** | **14,200** | **13,811** | **14,082** | **13,811** |

Borrowings of the Group and the Company are shown in the table below.

| Credit institution | Contractual amount of loan (in EUR thousand) | Amount of used but not repaid loan as at 31 December 2009 (in EUR thousand) | Repayment term | Amount of used but not repaid loan as at 31 December 2009 | Current portion as at 31 December 2008 | Amount of used but not repaid loan as at 31 Dece-mber 2008 |
|---|---|---|---|---|---|---|
| UniCredit Bank AS, Lithuanian Branch | 15,000 | 4,000 | 2010 09 30 | 13,811 | - | 13,811 |
| **Total non-current borrowings** | **15,000** | **4,000** | | **13,811** | **-** | **13,811** |

As at 31 December 2009 and 31 December 2008, the Company's borrowings with a fixed interest rate totalled LTL 13,811 thousand.

As at 31 December 2009, the Group's current borrowings included LTL 389 thousand overdraft used by Kauno Energetikos Remontas UAB (31 December 2008: LTL 271 thousand).

The Group companies have not received any loans secured by the State guarantee or their own assets.

As at 31 December 2009, the carrying value of borrowings approximates their fair value (31 December 2008: LTL 12,150 thousand).

### *18 Borrowings (continued)*

The Group and the Company have assumed the following liabilities under loan agreements:

- Under the agreement of 22 May 2002 with Bayerishe Hypo-und Wereinsbank AG (HVB-Bank), Vilnius Branch, (contractual loan amount – EUR 15,000 thousand), the Company is obliged to carry monthly turnover of at least LTL 10 million through the Company's accounts at this bank. Without a prior written bank approval the Company shall not: guarantee the obligations to its future creditors or expand guarantee facilities to present creditors. In case of substantial breach of the agreement, the Company is obliged without a written agreement not to declare and pay dividends, perform the distribution of share capital, and purchase shares. On 1 September 2007, UniCredit Bank AS, Lithuanian Branch, overtook from HVB-Bank, under a contract, all the rights and obligations acquired through HVB-Bank, Vilnius Branch.

In the period from August through to December of 2009, the Company/Group did not meet the obligation assumed to UniCredit Bank, Lithuanian Branch, regarding a monthly turnover of LTL 10 million. Starting from January 2010, the Company/Group meets the requirement to maintain a monthly turnover of LTL 10 million.

As at 31 December 2008, the Company and the Group had effective loan agreements concluded with SEB Bank AB (EUR 15,000 thousand) and Swedbank AB (EUR 11,585 thousand) that were not used as at 31 December 2008. As at 31 December 2009, the Company and the Group had no effective unused loan agreements.

### *19 Finance lease liabilities*

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

| | At 31 December 2009 | | At 31 December 2008 | |
|---|---|---|---|---|
| **Group** | **Minimum finance lease payments** | **Present value of minimum lease payments** | **Minimum finance lease payments** | **Present value of minimum lease payments** |
| Financial lease payments: | | | | |
| Within the first year | 607 | 532 | 728 | 595 |
| Within second – fifth years | 1,620 | 1,565 | 2,115 | 1,894 |
| **Minimum finance lease payments** | **2,227** | **2,097** | **2,843** | **2,489** |
| Less: deferred interest | (130) | - | (354) | - |
| **Present value of minimum lease payments** | **2,097** | **2,097** | **2,489** | **2,489** |

The Group's financial lease liabilities are secured by the lessor's right to the leased assets (Note 5).

The Company did not have any financial lease obligations outstanding as at 31 December 2009 and 31 December 2008.

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

## *20 Grants*

The grants balance consists of grants related to the financing of assets acquisition. Movements in grants in 2009 and 2008 are as follows:

| | Group | Company |
|---|---|---|
| **Balance at 31 December 2007** | **36,669** | **36,617** |
| Received during the period | 31,500 | 31,500 |
| Utilised during the period | (1,830) | (1,808) |
| **Balance at 31 December 2008** | **66,339** | **66,309** |
| **Balance at 31 December 2008** | **66,339** | **66,309** |
| Received during the period | 7,721 | 7,704 |
| Utilised during the period | (2,640) | (2,620) |
| **Balance at 31 December 2009** | **71,420** | **71,393** |

## *21 Other non-current accounts payable and liabilities*

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Advances received from new customers* | 8,224 | 8,224 | 22,673 | 22,673 |
| Provisions for pension payments and injury compensations | 1,735 | 1,735 | 1,620 | 1,620 |
| Liability related to guarantees for Nordic Energy Link (Note 35) | 995 | 995 | 1,304 | 1,304 |
| **Total** | **10,954** | **10,954** | **25,597** | **25,597** |

* This item represents advances received for the connection of new users to the electricity networks. These advances will be reclassified to deferred revenue upon the provision of connection services. Such deferred revenue is recognised in the statement of comprehensive income over the useful life of the non-current assets developed.

Provision for pension payments represents calculated amounts to be paid according to Lithuanian legislation. Each employee is entitled to 2 months salary payment when retiring after reaching the pension age.

## 22 *Income tax*

Income tax expense as at 31 December 2009 and 31 December 2008 comprised as follows:

| | Group 2009 | Company 2009 | Group 2008 | Company 2008 |
|---|---|---|---|---|
| **Income tax expense components** | | | | |
| Current income tax | 44,644 | 44,564 | 27,324 | 27,295 |
| Deferred income tax (benefit) | (40,347) | (40,794) | (6,387) | (6,143) |
| **Income tax expense (income) for the reporting period** | **4,297** | **3,770** | **20,937** | **21,152** |

Deferred income tax of the Group and the Company comprised as follows:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| **Deferred income tax asset** | | | | |
| Effect of non-current assets measured at revalued amount and deemed cost (impairment) | 176,592 | 176,270 | 245,363 | 244,780 |
| Accruals | 207 | 207 | 399 | 399 |
| Bad debts | 2,311 | 2,056 | 3,037 | 2,896 |
| Impairment of property, plant and equipment | 13,876 | 12,548 | 2,513 | 536 |
| Impairment of financial assets | 828 | 3,164 | 966 | 4,176 |
| Vacation reserve | 449 | 323 | 722 | 503 |
| Impairment of intangible assets | 16 | - | 21 | - |
| Write down of inventories to net realisable value | 843 | 155 | 890 | 172 |
| **Total deferred income tax asset before impairment of realisable value** | **195,122** | **194,723** | **253,911** | **253,462** |
| Less: impairment of realisable value | (1,399) | (1,399) | (2,246) | (2,206) |
| **Deferred income tax asset less impairment of realisable value** | **193,723** | **193,324** | **251,665** | **251,256** |
| | | | | |
| **Deferred income tax liabilities** | | | | |
| Effect of non-current assets measured at revalued amount/deemed cost (increase in value) | (405,264) | (402,752) | (602,201) | (599,449) |
| Net book value of non-current assets with the tax relief (Method II) applied (excluding construction in progress) | (22,678) | (22,568) | (31,911) | (31,638) |
| Effect of different depreciation rates for PP&E in financial and tax accounting | (1,156) | (1,156) | (1,730) | (1,730) |
| Construction in progress with the tax relief (Method II) applied in 1998 - 2001, not put into operation before 31 December 2009 | (2) | (2) | (3) | (3) |
| Effect of guarantee liability | (180) | (180) | (179) | (179) |
| **Total deferred tax liability** | **(429,280)** | **(426,658)** | **(636,024)** | **(632,999)** |
| | | | | |
| **Deferred tax liability, net** | **(235,557)** | **(233,334)** | **(384,359)** | **(381,743)** |

As at 31 December 2009, deferred tax assets and liability were calculated using a tax rate of 15 per cent (31 December 2008: 20 per cent).

Deferred income tax to be realised within 12 months amounts to LTL 11,144 thousand.

## 22 *Income tax (continued)*

Changes in temporary differences were as follows:

| Group | At 31 December 2008 | Recognised in other compre-hensive income | Recognised in profit or loss | At 31 December 2009 |
|---|---|---|---|---|
| Effect of non-current assets measured at revalued amount/deemed cost (impairment) | 1,226,820 | | (49,534) | 1,177,286 |
| Impairment of financial assets | 4,831 | | 688 | 5,519 |
| Bad debts | 15,183 | | 226 | 15,406 |
| Impairment of property, plant and equipment | 12,565 | | 79,943 | 92,508 |
| Vacation reserve | 3,609 | | (619) | 2,990 |
| Accruals | 1,993 | | (612) | 1,381 |
| Write down of inventories to net realisable value | 4,448 | | 1,170 | 5,618 |
| Impairment of intangible assets | 105 | | - | 105 |
| Construction in progress with the tax relief (Method II) applied in 1998 – 2001, not put into operation before 31 December 2009 | (16) | | - | (16) |
| Effect of guarantee liability | (893) | | (308) | 1,201 |
| Effect of different depreciation rates for PP&E in financial and tax accounting | (8,649) | | 943 | (7,706) |
| Net book value of non-current assets with the tax relief (Method II) applied (excluding construction in progress) | (159,557) | | 8,371 | (151,186) |
| Effect of non-current assets measured at revalued amount/deemed cost (increase in value) | (3,011,003) | 162,136 | 155,667 | (2,693,200) |
| **Total temporary differences** | **(1,910,564)** | **162,136** | **195,935** | **(1,552,493)** |
| **Deferred income tax calculated at a rate of 20 per cent** | **(382,113)** | **32,427** | **39,187** | **(310,499)** |
| **Effect of decrease in tax rate to 15 per cent** | | **20,210** | **56,131** | **76,341** |
| **Effect of change in tax rate on deemed cost recognised directly in equity** | | **55,818** | **(55,818)** | **-** |
| **Decrease in realisable value of deferred income tax assets** | **(2,246)** | | **847** | **(1,399)** |
| **Deferred tax liability, net** | **(384,359)** | **108,455** | **40,347** | **(235,557)** |

### 22 *Income tax (continued)*

| Company | At 31 December 2008 | Recognised in other comprehensive income | Recognised in profit or loss | At 31 December 2009 |
|---|---|---|---|---|
| Effect of non-current assets measured at revalued amount/deemed cost (impairment) | 1,223,899 | | (48,763) | 1,175,136 |
| Impairment of financial assets | 20,405 | | 688 | 21,093 |
| Bad debts | 14,482 | | (776) | 13,706 |
| Impairment of property, plant and equipment | 2,682 | | 80,968 | 83,650 |
| Vacation reserve | 2,513 | | (363) | 2,150 |
| Accruals | 1,993 | | (612) | 1,381 |
| Write down of inventories to net realisable value | 858 | | 174 | 1,032 |
| Construction in progress with the tax relief (Method II) applied in 1998 - 2001, not put into operation before 31 December 2009 | (16) | | 0 | (16) |
| Effect of guarantee liability | (893) | | (308) | (1,201) |
| Effect of different depreciation rates for PP&E in financial and tax accounting | (8,649) | | 943 | (7,706) |
| Net book value of non-current assets with the tax relief (Method II) applied (excluding construction in progress) | (158,191) | | 7,738 | (150,453) |
| Effect of non-current assets measured at revalued amount/deemed cost (increase in value) | (2,997,243) | 158,071 | 154,167 | (2,685,005) |
| **Total temporary differences** | **(1,898,160)** | **158,071** | **193,856** | **(1,546,233)** |
| **Deferred income tax calculated at a rate of 20 per cent** | **(379,537)** | **31,614** | **38,771** | **(309,152)** |
| **Effect of decrease in tax rate to 15 per cent** | | **20,183** | **57,034** | **77,217** |
| **Effect of change in tax rate on deemed cost recognised directly in equity** | | **55,818** | **(55,818)** | **-** |
| **Decrease in realisable value of deferred income tax assets** | **(2,206)** | | **807** | **(1,399)** |
| **Deferred tax liability, net** | **(381,743)** | **107,615** | **40,794** | **(233,334)** |

Income tax expense disclosed in the statement of comprehensive income relating to the result of the current reporting period may be reconciled to income tax expense that would arise using an enacted income tax rate applicable to profit before income tax.

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| **Profit (loss) before tax** | 24,880 | 32,764 | 62,615 | 66,063 |
| Income tax calculated at a tax rate of 20% (2008: 15%) | 4,976 | 6,553 | 9,392 | 9,909 |
| Tax effect of income or expenses that are not subject to tax or deductable | (421) | (760) | 5,156 | 4,883 |
| Unrecognised deferred tax assets from tax losses | 902 | - | - | - |
| Change in impairment of realisable value of deferred income tax | (847) | (807) | 736 | 698 |
| Effect of changes in tax rate | (313) | (1,216) | 5,653 | 5,662 |
| **Income tax** | **4,297** | **3,770** | **20,937** | **21,152** |
| **Effective income tax rate (%)** | **17** | **12** | **33** | **32** |

As at 31 December 2009, the Group had LTL 6,012 thousand of tax losses from which no deferred tax asset was recognised. These tax losses are carried for indefinite period.

### 23 *Bonds issued*

In September 2006, the Company issued bonds with a three-year maturity. The nominal value of the issue was EUR 7,500 thousand (LTL 25,896 thousand). Annual interest rate – 4.06 per cent. Bonds were redeemed on 29 September 2009.

### *24 Trade payables*

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

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Amounts payable for electricity and related services | 105,181 | 105,181 | 56,271 | 56,271 |
| Amounts payable for contractual works, other services | 38,848 | 39,130 | 66,249 | 62,658 |
| Accrued liability for electricity | 12,401 | 12,401 | 28,104 | 28,104 |
| Amounts payable for material values | 694 | 694 | 2,383 | 1,467 |
| VAT on accrued liability for electricity | - | - | 5,089 | 5,089 |
| **Carrying amount** | **157,124** | **157,406** | **158,096** | **153,589** |

The fair value of trade payables approximates their carrying amounts.

### *25 Other accounts payable and liabilities*

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

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Accrued other charges | 5,408 | 5,408 | 8,693 | 8,693 |
| Other accounts payable and current liabilities | 3,175 | 35 | 251 | 189 |
| Employment-related liabilities | 3,282 | 1,868 | 3,559 | 1,647 |
| Vacation reserve | 2,332 | 2,150 | 3,609 | 2,512 |
| Real estate tax payable | 2,283 | 2,230 | 2,440 | 2,440 |
| VAT payable to the budget | 2,157 | 1,756 | 3,041 | 3,039 |
| Current portion of deferred income | 803 | 803 | 598 | 598 |
| Dividends payable | 507 | 507 | 520 | 520 |
| Natural resource tax | 387 | 387 | 345 | 345 |
| Deferred VAT payable | 1 | 1 | 9,999 | 9,999 |
| **Carrying amount** | **20,335** | **15,145** | **33,055** | **29,982** |

The fair value of other accounts payable approximates their carrying amounts.

### 26 *Sales revenue*

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

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Public service obligations (PSO) | 623,144 | 623,144 | 389,556 | 389,556 |
| Domestic sales of electricity (excluding PSO) | 269,353 | 269,353 | 457,793 | 457,793 |
| Export of electricity | 265,223 | 265,223 | 226,991 | 226,991 |
| Electricity transmission service | 219,272 | 219,272 | 242,610 | 242,610 |
| Capacity reserve | 136,479 | 136,479 | 132,418 | 132,418 |
| Other sales of electricity and related services | 6,287 | 6,287 | 5,934 | 5,934 |
| Revenue from connection of new users* | 731 | 731 | 585 | 585 |
| **Total sales revenue** | **1,520,489** | **1,520,489** | **1,455,887** | **1,455,887** |

* The Company and the Group had accounted for LTL 16,173 thousand (31 December 2008: LTL 14,329 thousand) of deferred revenue related to the connection of new users and related advances received from new users (Note 21) for connection to electricity networks amounting to LTL 8,224 thousand (31 December 2008: LTL 22,673 thousand) which are reclassified to deferred revenue upon the provision of connection services. The Company/Group recognises such revenue in the statement of comprehensive income during the useful life of property, plant and equipment developed. During 2009, the Company/Group has recognised revenue of LTL 731 thousand (2008: LTL 585 thousand) from connection of new users.

### 27 *Segment information*

In 2009, the Board distinguished business segments based on the reports reviewed by the Board. The Board analyses business operations by geographical areas and types of products provided. Presentation of business segments in 2008 is consistent with the presentation of segment information in 2009.

The Group has distinguished the following business segments (activities): activities of transmission system operator (electricity transmission), transmission trading and electricity export/import. The Group also carried out other, non-operating activities. As of 1 January 2009, in order to provide more precise disclosures about business segments of the Group the following additional business segments were distinguished within the activities of transmission system operator: electricity transmission, trade in balancing/regulating electricity, sales of capacity reserve services, public service obligations (PSO) electricity sales, and other activities of transmission system operator.

The electricity transmission segment is engaged in providing transmission services to network users and is responsible for management, maintenance, development, integrity and coherence of the transmission network of the Lithuanian power system and the interconnections with the power systems of other countries, as well as ensuring reliable and safe operation of the entire Lithuanian power system. These activities are regulated by the National Control Commission for Prices and Energy (hereinafter "the Commission") by establishing the tariffs of electricity transmission services.

Trade in balancing/regulating electricity is a separate PSO service unregulated by the Commission ensuring the balance of electricity generation and consumption levels.

Sales of capacity reserve services represent a separate service rendered under a regulated rate tariff. Almost all electricity generated by Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant after the elimination of internal turnovers was allocated to the segment of sales of capacity reserve services and to the activities of transmission trading and electricity export/import.

The segment of public service obligations electricity sales has been distinguished because these services are rendered under a regulated rate tariff in accordance with regulatory requirements.

The transmission trading segment is engaged in a wholesale trade in electricity in the domestic market.

The electricity export/import segment is engaged in the export of electricity to Latvia, Estonia and via Estlink cable to Finland. Revenue of the export segment also includes sales of electricity to Inter RAO Lietuva UAB for export to Russia. Imported electricity is either sold to export clients or domestic customers; in the latter case the respective revenue and expenses are included in the transmission trading segment.

Other activities include repair services of energy equipment, designing of energy facilities and other services.

Transmission trading and provision of services associated with it between the Company's segments is performed at cost (without a mark-up). Transactions between the Group companies are conducted at market prices, except for transmission trading and the related services which are traded within the Group at prices established by the Commission.

## 27 *Segment information (continued)*

The Group's information on segments as at 31 December 2009 and for the period then ended is presented in the table below:

| 2009 | Business segments generating revenue from external sales | | | | | | | | | Business segments that do not generate revenue from external sales | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Including: | | | | | | | | | |
| | Trans-mission system operator | Trans-mission | Trade in balancing/ regulating electricity | Sales of capacity reserve services | Public service obliga-tions electricity sale | Other activities of trans-mission system operator | Trans-mission trading (market operator) | Export / import | Other activities | Generation | |
| **Total segment revenue** | **1,083,156** | **274,912** | **41,603** | **136,479** | **623,144** | **7,018** | **318,196** | **279,567** | **48,251** | **97,603** | **1,826,773** |
| Internal turnover among segments | 79,011 | 55,640 | 23,371 | - | - | - | 67,075 | 14,344 | - | 97,603 | 258,033 |
| **Revenue from external sales** | **1,004,145** | **219,272** | **18,232** | **136,479** | **623,144** | **7,018** | **251,121** | **265,223** | **48,251** | **-** | **1,568,740** |
| **Operating profit (loss)** | **(75,960)** | **(71,417)** | **(5,129)** | **(15,572)** | **9,251** | **6,907** | **9,737** | **85,955** | **(2,529)** | **-** | **17,203** |
| Depreciation and amortisation expense | 162,112 | 147,555 | - | 14,553 | 2 | 2 | 3,741 | 1,869 | 11,068 | - | 178,790 |
| Loss on revaluation of property, plant and equipment | 75,079 | 68,337 | - | 6,740 | 1 | 1 | 1,732 | 866 | 3,483 | - | 81,160 |
| **Net finance income (expenses)** | | | | | | | | | | | **7,677** |
| **Profit (loss) before tax** | | | | | | | | | | | **24,880** |
| **Income tax** | | | | | | | | | | | **(4,297)** |
| **Profit (loss) for the year** | | | | | | | | | | | **20,583** |
| **Total segment assets** | **2,453,233** | **2,147,682** | **-** | **305,529** | **11** | **11** | **50,942** | **73,935** | **112,631** | **176,404** | **2,867,145** |
| **Unallocated assets** | | | | | | | | | | | 335,389 |
| **Total assets** | | | | | | | | | | | **3,202,534** |
| **Loss on revaluation of property, plant and equipment recognised in equity** | **141,244** | **128,560** | **-** | **12,680** | **2** | **2** | **3,259** | **1,628** | **9,643** | **-** | **155,774** |

## 27 *Segment information (continued)*

The Group's information on segments as at 31 December 2008 and for the period then ended is presented in the table below:

| 2008 | Business segments generating revenue from external sales | | | | | | | | | Business segments that do not generate revenue from external sales | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Trans-mission system operator | Including: | | | | | Trans-mission trading (market operator) | Export / import | Other activities | Generation | |
| | | Trans-mission | Trade in balancing/ regulating electricity | Sales of capacity reserve services | Public service obliga-tions electri-city sale | Other acti-vities of trans-mission system opera-tor | | | | | |
| **Total segment revenue** | **828,922** | **272,742** | **27,687** | **132,418** | **389,556** | **6,519** | **477,183** | **411,726** | **74,487** | **90,577** | **1,882,895** |
| Internal turnover among segments | 30,132 | 30,132 | - | - | - | - | 47,077 | 184,735 | 84 | 90,577 | 352,605 |
| **Revenue from external sales** | **798,790** | **242,610** | **27,687** | **132,418** | **389,556** | **6,519** | **430,106** | **226,991** | **74,403** | | **1,530,290** |
| **Operating profit (loss)** | **44,300** | **11,072** | **639** | **3,700** | **22,777** | **6,112** | **2,603** | **35,125** | **-17,714** | - | **64,314** |
| Depreciation and amortisation expense | 123,651 | 111,249 | | 12,398 | 2 | 2 | 3,753 | 1,168 | 9,535 | - | 138,107 |
| Loss on revaluation of property, plant and equipment | 12,644 | 11,376 | - | 1,268 | - | - | 384 | 119 | 976 | - | 14,123 |
| **Net finance income (expenses)** | | | | | | | | | | | **(1,699)** |
| **Profit (loss) before tax** | | | | | | | | | | | **62,615** |
| **Income tax** | | | | | | | | | | | **(20,937)** |
| **Profit (loss) for the year** | | | | | | | | | | | **41,678** |
| **Total segment assets** | **2,803,917** | **2,465,335** | **9** | **338,542** | **20** | **11** | **57,321** | **75,842** | **118,959** | **147,642** | **3,203,681** |
| **Unallocated assets** | | | | | | | | | | | 248,775 |
| **Total assets** | | | | | | | | | | | **3,452,456** |

### *27 Segment information (continued)*

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

In 2009 and 2008, the Group's and the Company's revenue according to geographical segments was as follows:

| Country | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Lithuania | 1,328,251 | 1,309,449 | 1,311,925 | 1,266,558 |
| Estonia | 161,750 | 161,750 | 83,895 | 83,851 |
| Finland | 51,585 | 51,585 | 76,445 | 75,714 |
| Latvia | 24,388 | 24,388 | 56,214 | 56,171 |
| Germany | 2,167 | - | 991 | - |
| Denmark | 599 | - | - | - |
| Russia | - | - | 820 | - |
| **Total** | **1,568,740** | **1,547,172** | **1,530,290** | **1,482,294** |

Revenue earned from direct export of electricity accounted for a major portion of export revenue. Apart from a direct export, the Company sells peak energy intended for export. In 2009, revenue generated from sales of peak energy amounted to LTL 6.8 million (2008: LTL 4.4 million). The Company has also been exporting excess basic electricity and electricity produced during holidays and weekends. In 2009, revenue generated from sales of such energy amounted to LTL 20.6 million (2008: LTL 3.6 million).

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

In 2009, the Group's and the Company's revenue generated from one external customer amounted to LTL 1,058,540 thousand (2008: LTL 1,029,218 thousand).

### *28 Other operating income*

In 2009 and 2008, the Group's and the Company's other operating income included as follows:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Repairs and other services | 16,477 | - | 46,670 | - |
| Data transmission | 12,183 | 12,183 | 13,113 | 13,113 |
| Rent of property | 4,663 | 5,114 | 3,271 | 3,319 |
| The Internet services | 3,146 | 3,146 | 3,425 | 3,433 |
| Rent of IT infrastructure | 2,697 | 2,697 | 2,572 | 2,572 |
| IT services | 1,060 | 1,105 | 541 | 541 |
| Other income | 4,481 | 957 | 2,809 | 1,974 |
| Voice telephony services | 549 | 549 | 519 | 559 |
| Health, catering and recreational services | 762 | 762 | 1186 | 896 |
| Design works | 2,063 | - | 297 | - |
| Gain on disposal of property, plant and equipment | 170 | 170 | - | - |
| **Total income from other activities** | **48,251** | **26,683** | **74,403** | **26,407** |

Income from repair services represents income received by subsidiary Kauno Energetikos Remontas UAB under the contracts concluded (the Company received no income under the contracts). Information about contracts in progress as at 31 December 2009 and 31 December 2008 is presented in the table below:

| | At 31 December 2009 | At 31 December 2008 |
|---|---|---|
| Total income from repair services from the commencement date of the project | 20,384 | 19,945 |
| Total expenses of repair services from the commencement date of the project | 16,739 | 18,633 |
| Unbilled revenue | - | - |
| Trade receivables (included in accounts receivable) | 8,889 | 9,266 |
| Advance amounts received | 101 | 876 |

### *29 Finance income*

In 2009 and 2008, the Group's and the Company's other finance income included as follows:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Interest income | 7,828 | 7,928 | 1,539 | 1,476 |
| Other income | 1,641 | 1,542 | 983 | 912 |
| Foreign currency exchange gain | 9 | 9 | 47 | 44 |
| Dividends received | - | - | - | 633 |
| **Total finance income** | **9,478** | **9,479** | **2,569** | **3,065** |

### *30 Other finance costs*

In 2009 and 2008, the Group's and the Company's other finance costs included as follows:

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Interest expense | (1,547) | (1,445) | (2,537) | (2,477) |
| Other expenses | (46) | (4) | (13) | (14) |
| Foreign currency exchange loss | (20) | (18) | (49) | (39) |
| Loan service costs | (326) | (20) | (68) | (68) |
| **Total finance costs** | **(1,939)** | **(1,487)** | **(2,667)** | **(2,598)** |

### *31 Discontinued operations*

On 28 August 2008, the nuclear energy segment was sold to LEO LT, AB subsidiary Visagino Atominė Elektrinė UAB. The nuclear energy segment was involved in development of a new nuclear power plant project: feasibily studies, environmental and legal studies etc. Sales proceeds amounted to LTL 6,283 thousand, and gain on sales amounted to LTL 0 thousand as total expenses that have been incurred and reported in income statements of the Group/Company in the periods prior to sales transaction totalled to LTL 6,283 thousand.

| | Group 2008 | Company 2008 |
|---|---|---|
| Revenue (represents sales proceeds only) | 6,283 | 6,283 |
| Expenses | (3,852) | (3,852) |
| Operating profit | 2,431 | 2,431 |
| Income tax (represents only tax on the gain on sales) | (365) | (365) |
| **Net profit (loss) from a discontinued operation** | **2,066** | **2,066** |

There were no assets or liabilities attributed to this segment. All segment's cash flows are operating and amount to LTL 2,066 thousand in 2008.

Earnings per share from discontinued operations amount to LTL 0.004 in 2008.

### *32 Related-party transactions*

Purchase and sale of goods and services:

The Group's transactions with related parties during 2009 and the balances arising on these transactions as at 31 December 2009 are presented below:

| Related parties | Payables and accrued expenses | Receivables and unbilled revenue | Purchases | Sales |
|---|---|---|---|---|
| Entities controlled by the Ministry of Energy of the Republic of Lithuania (including subsidiaries of LEO LT, AB) | 79,054 | 121,410 | 729,150 | 1,112,524 |
| LEO LT, AB | 414 | 73,406 | 1,728 | 1,366 |
| Associates of the Group | 164 | 3 | 13,417 | 665 |
| **Total** | **79,632** | **194,819** | **744,295** | **1,114,555** |

The Company's transactions with related parties during 2009 and the balances arising on these transactions as at 31 December 2009 are presented below:

| Related parties | Payables and accrued expenses | Receivables and unbilled revenue | Purchases | Sales |
|---|---|---|---|---|
| Entities controlled by the Ministry of Energy of the Republic of Lithuania (including subsidiaries of LEO LT, AB) | 78,290 | 120,705 | 728,135 | 1,108,575 |
| LEO LT, AB | 414 | 73,406 | 1,728 | 1,366 |
| Subsidiaries of the Company | 3,386 | 1,079 | 8,232 | 1,492 |
| Associates of the Company | 1 | 3 | 13,265 | 640 |
| **Total** | **82,091** | **195,193** | **751,360** | **1,112,073** |

The Group's transactions with related parties during 2008 and the balances arising on these transactions as at 31 December 2008 are presented below:

| Related parties | Payables and accrued expenses | Receivables and unbilled revenue | Purchases | Sales |
|---|---|---|---|---|
| Entities controlled by the Ministry of Energy of the Republic of Lithuania (including subsidiaries of LEO LT, AB) | 42,806 | 54,704 | 619,599 | 1,078,378 |
| LEO LT, AB | 1,287 | 145 | 1,091 | 690 |
| Associates of the Group | 45 | 19 | 14,883 | 468 |
| **Total** | **44,138** | **54,868** | **635,573** | **1,079,536** |

The Company's transactions with related parties during 2008 and the balances arising on these transactions as at 31 December 2008 are presented below:

| Related parties | Payables and accrued expenses | Receivables and unbilled revenue | Purchases | Sales |
|---|---|---|---|---|
| Entities controlled by the Ministry of Energy of the Republic of Lithuania (including subsidiaries of LEO LT, AB) | 42,774 | 54,704 | 619,171 | 1,077,270 |
| LEO LT, AB | 1,287 | 145 | 1,091 | 690 |
| Subsidiaries of the Company | 1,571 | 32 | 10,665 | 126 |
| Associates of the Company | 45 | 19 | 14,883 | 468 |
| **Total** | **45,677** | **54,900** | **645,810** | **1,078,554** |

The major related-party sale and purchase transactions in 2009 and 2008 represent transactions with the entities controlled by the Ministry of Energy of the Republic of Lithuania, VĮ Ignalinos Atominė Elektrinė (state company Ignalina Nuclear Power Plant) and Lietuvos Elektrinė AB (Lithuanian Power Plant). The Company's purchases from these suppliers mainly included purchases of electricity, capacity, and PSO services. Sales transactions mainly included sales of electricity, capacity, electricity transmission services and PSO services.

## *32 Related-party transactions (continued)*

The major purchase and sale transactions in the LEO LT, AB group in 2008 and 2009 were concluded with Rytų Skirstomieji Tinklai AB, VST AB and LEO LT, AB. In 2009 and in 2008 LEO LT, AB provided management services to the Company.

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

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

There were no guarantees or pledges given or received in respect of the related party payables and receivables, except for a guarantee issued to an associate disclosed in Note 35. Related party payables and receivables are expected to be settled in cash or set-off against payables/receivables to/from a respective related party.

***Payments to key management personnel***

| | Group at 31 December 2009 | Company at 31 December 2009 | Group at 31 December 2008 | Company at 31 December 2008 |
|---|---|---|---|---|
| Employment-related payments | 3,005 | 1,686 | 3,734 | 2,410 |
| Termination benefits | 811 | 531 | - | - |
| Other material amounts (bonuses for Board members) | - | - | 80 | 80 |
| Number of key management personnel | 26 | 6 | 26 | 7 |

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

## *33* Basic and diluted earnings per share (in LTL)

In 2009 and 2008, basic and diluted earnings per share were as follows:

| | At 31 December 2009 | At 31 December 2008 |
|---|---|---|
| Net profit (loss) attributable to the Group's shareholders | 20,583 | 43,744 |
| Weighted average number of shares (units) | 689,515,435 | 689,515,435 |
| **Basic and diluted earnings per share (in LTL)** | 0.03 | 0.06 |

## 34 *Financial risk management*

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

**Financial instruments by category**

| **Financial assets** | **Group at 31 December 2009** | **Company at 31 December 2009** | **Group at 31 December 2008** | **Company at 31 December 2008** |
|---|---|---|---|---|
| Trade receivables | 170,342 | 164,157 | 136,292 | 126,640 |
| Other receivables | 77,568 | 78,014 | 17,118 | 16,773 |
| Term deposits | 17,160 | 17,000 | 200 | - |
| Cash and cash equivalents | 54,167 | 51,347 | 70,457 | 69,606 |
| **Loans and receivables** | **319,237** | **310,518** | **224,067** | **213,019** |
| Other financial assets | - | - | 15,994 | 15,994 |
| **Held-to-maturity investments** | **-** | **-** | **15,994** | **15,994** |
| **Total** | **319,237** | **310,518** | **240,061** | **229,013** |

| **Financial liabilities** | **Group at 31 December 2009** | **Company at 31 December 2009** | **Group at 31 December 2008** | **Company at 31 December 2008** |
|---|---|---|---|---|
| Borrowings | 14,200 | 13,811 | 14,082 | 13,811 |
| Bonds issued | - | - | 25,896 | 25,896 |
| Finance lease liabilities | 2,097 | - | 2,489 | - |
| Trade payables | 157,124 | 157,406 | 158,096 | 153,589 |
| Other accounts payable and liabilities | 20,335 | 15,145 | 33,055 | 29,982 |
| **Financial liabilities carried at amortised cost** | **193,756** | **186,362** | **233,618** | **223,278** |

**Credit risk**

As at 31 December 2009 and 31 December 2008, credit risk was related to the following items:

| | **Group at 31 December 2009** | **Company at 31 December 2009** | **Group at 31 December 2008** | **Company at 31 December 2008** |
|---|---|---|---|---|
| Financial assets | 319,237 | 310,518 | 240,061 | 229,013 |

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

The credit risk of the Group and the Company related to the accounts receivable is limited because the main buyers are reliable customers. As at 31 December 2009 and 31 December 2008, a credit quality of trade receivables neither past due nor impaired is high as mostly all of these receivables are related to distribution system operators and large industrial companies. The Group and the Company have significant credit risk concentration, because credit risks are shared among 10 main customers, which account for approximately 97 per cent of the total Group's and Company's trade receivables.

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

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

### 34 *Financial risk management (continued)*

Borrowing ratings used to be assigned to the Company as well. On the grounds of the decreased credit rating of the Republic of Lithuania, Standard&Poors respectively downgraded the non-current borrowing rating of Lietuvos Energija AB for borrowings in foreign currency from BBB+ to BBB and the current borrowing rating – from A-2 to A-3. On 27 March 2009, the international credit rating agency Standard&Poors satisfied Lietuvos Energija's AB request to suspend the Company's ratings.

**Liquidity risk**

The liquidity risk is managed by planning the cash flows of the Group. In order to manage the liquidity risk, cash flow forecasts are prepared. Overdraft and credit line agreements are used to manage the difference between the risks of late collection of receivables and short-term cash flows (proceeds and payments). The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 31 December 2009 were 1.57 and 1.54 respectively (31 December 2008: 0.97 and 0.94, respectively). The Company's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 31 December 2009 were 1.58 and 1.56 respectively (31 December 2008: 0.95 and 0.94, respectively).

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

| Group | Within the first year | Within the second year | Within third – fifth years | After five years |
|---|---|---|---|---|
| **At 31 December 2009** | | | | |
| Loans and bonds | 14,200 | - | - | - |
| Finance lease liabilities | 532 | 503 | 1,062 | - |
| Trade and other payables | 177,459 | - | - | - |
| **At 31 December 2008** | | | | |
| Loans and bonds | 26,167 | 14,470 | - | - |
| Finance lease liabilities | 595 | 683 | 1,510 | - |
| Trade and other payables | 188,460 | - | - | - |

| Company | Within the first year | Within the second year | Within third – fifth years | After five years |
|---|---|---|---|---|
| **At 31 December 2009** | | | | |
| Loans and bonds | 13,811 | - | - | - |
| Trade and other payables | 172,551 | - | - | - |
| **At 31 December 2008** | | | | |
| Loans and bonds | 25,896 | 14,470 | - | - |
| Trade and other payables | 185,517 | - | - | - |

**Interest rate risk**

The income and cash flows of the Group companies are not exposed significantly to the fluctuations of the market interest rate. The interest rate risk relates mainly to borrowings. The borrowings issued at floating interest rates expose the Group to cash flow interest rate risk. The Company and the Group have granted loans subject to the floating interest rate.

According to the principles of financial risk management approved by the Group companies, interest expenses must be forecasted with sufficient precision for a period that is not shorter than the period of establishing the price cap of the electricity transmission service (three years). The loan portfolio of the Group companies is formed on the basis of the following principle: at least 50% of all the borrowings must be at the fixed interest rate, the remaining borrowings – at the floating interest rate.

The Group companies have loans with fixed and variable interest rates, related to VILIBOR. If interest rate increases / decreases by 1 percentage point, the effect on pre-tax profit would amount to LTL 394 thousand as at 31 December 2009.

## *34 Financial risk management (continued)*

### Foreign exchange risk

In order to manage the foreign exchange risk, the Group companies conclude credit contracts only in Euro and Litas. The sale/purchase contracts of the Group are also denominated mostly in Euro and Litas.

Starting from 2 February 2002, litas has been pegged to euro; therefore, changes in foreign exchange rates do not have a significant impact on the Company's and the Group's equity.

The companies comprising the Group have no significant concentration of foreign exchange risk; therefore, it did not use any financial instruments for managing the foreign exchange risk in 2009 and 2008.

### Risk of security prices

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

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

### Fair value of financial assets and liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade receivables and other accounts receivable and other debts, long-term and short-term borrowings.

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

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

- The carrying amount of short-term trade and other accounts receivable, short-term trade and other accounts payable and short-term borrowings approximates their fair value.
- The fair value of a long-term debt is based on the quoted market price for the same or similar loan or on the current rates available for debt with the same maturity profile. The fair value of long-term borrowings with variable interest rates approximates their carrying amounts.

## *35 Commitments and contingencies*

### Guarantees issued and received

In 2005, the Company guaranteed, under the guarantee agreements, the fulfilment of 25 per cent of Nordic Energy Link's AS liabilities to Nordic Investment Bank (LTL 45,750 thousand) and to SEB Eesti Uhispank AB (LTL 26,759 thousand. The guarantees expire after the full repayment of the loans by the associate to the respective banks, i.e. 15 March 2014 and 15 September 2014, respectively. The Group/Company has accounted for these guarantees at fair value: the carrying amount of the guarantee obligation reported in the balance sheet as at 31 December 2009 was LTL 996 thousand (31 December 2008: LTL 1,304 thousand). The Group/Company has not accounted for any additional provisions related to these guarantees, since management expects that the associate will fulfil its liabilities to the banks.

To ensure that obligations are fulfilled, the trading exchange participants are required to provide to the market operator BALTPOOL UAB a bank guarantee as a security for the fulfilment of their obligations and/or make a monetary deposit not later than within 10 working days before the beginning of the trading exchange session. As at 31 December 2009, bank guarantees provided by the Company and the Group to BALTPOOL UAB amount to LTL 20,000 thousand and BALTPOOL UAB received LTL 12,900 thousand from other trading exchange participants.

## *35 Commitments and contingencies (continued)*

### Legal proceedings

In 2008 and 2007 the Company was involved in an arbitration dispute with Eesti Energia AS regarding performance of the agreement on the delivery of electricity signed in 2005. The parties disagreed about the orders submitted under this agreement and an obligation to supply the ordered electricity volumes. In February 2009, the Arbitration Court rendered its award, which satisfied Eesti Energia AS's claim in part, therefore, a relevant liability for the amount of LTL 26,009 thousand, reflecting the amounts awarded, was accounted for in the Company's/Group's statement of financial position as at 31 December 2008. This amount also includes additional claims received from Eesti Energia AS after the rendering of the arbitration award, which are related with similar transactions concluded by 31 December 2008. On 22 April 2009, the Company paid to Eesti Energia AS amounts awarded and penalties accrued by the date of payment (LTL 20,089 thousand). On 1 July 2009, an additional arrangement to the agreement was concluded, based on which Lietuvos Energija AB fulfilled all the requirements of the additional arrangement by 31 December 2009. Consequently, Eesti Energia AS can no longer make any claims to Lietuvos Energija AB under the agreement or the additional arrangements or its requirements filed to the Company. As a result, the dispute has been resolved. In 2009, the utilised amount of the provision was LTL 20,089 thousand and the unutilised amount of the provision (LTL 5,920 thousand) was reversed and included within other expenses in operating expenses.

As at 31 December 2008, the Company disputed LTL 884 thousand account payable to Vilniaus Energija UAB related to the electricity supplied by this entity under public service obligation (PSO) scheme , which was accounted for in the statement of financial position. The obligations to this supplier were recalculated by the Company based on the actual volumes of the electricity supplied and the volumes of sponsored production levels as set by the Ministry of the Economy of the Republic of Lithuania. The supplier did not agree with the recalculation made by the Company and claimed the payment of the invoiced amounts for the PSO energy supplied. As at 31 December 2009, the amount disputed is LTL 1,049 thousand. With reference to the surrounding circumstances of the dispute, available evidence, arguments and explanations concerning the claims presented by the other party to the dispute, the dispute might be settled in favour of Lietuvos Energija AB.

In February 2009, Fortis Energy UAB and Kauno Termofikacinė Elektrinė UAB filed a claim against the Company concerning the terms and conditions of an agreement for 2009. The amount disputed is LTL 1,631 thousand. UAB Fortis has also filed a claim for the repayment of funds received under the agreement on the services of the electricity transmission dated 10 October 2007. The amount disputed is LTL 3,126 thousand. The hearings of both disputes – over the performance of the agreement of 10 October 2007 and the terms of the 2009 agreement – were held. In respect of one lawsuit the court passed a ruling on 12 February 2010 concerning the approval of the peace agreement concluded between Lietuvos Energija AB, Kauno Termofikacinė Elektrinė UAB and Fortis Energy UAB on 8 February 2010. In respect of another lawsuit, Fortis Energy UAB filed a request with the court regarding the withdrawal of the claim.

## *36 Capital management*

Capital consists of the equity capital disclosed in the statement of financial position.

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, repay capital to shareholders or issue new shares. As at 31 December 2009 and 31 December 2008, no adjustments were made to objectives, policy and procedures of capital management.

According to the Law on Companies of the Republic of Lithuania, equity of the Group and the Company must account for at least ½ of the amount of the authorised capital. No other external capital requirements have been imposed on the Group and the Company. As at 31 December 2009 and 31 December 2008, the Group and the Company were not in breach of the above mentioned requirement.

## 37 *Post-balance-sheet events*

### Liberalisation of electricity market

With effect from 1 January 2010, the function of the transmission system operator is carried out by LITGRID UAB. Under the requirements of the EU legislative acts on the liberalisation of electric power market, subsidiaries of Lietuvos Energija AB established for the purpose of separating specific activities were issued activity licenses on 28 December 2009. The company LITGRID UAB was granted a license of the electricity transmission system operator and the company BALTPOOL UAB was granted a license of the electricity market operator.

Lietuvos Energija AB remains the holder of the ownership rights of electricity transmission networks. The Company and LITGRID UAB signed an agreement which conveys to LITGRID UAB a right to temporarily possess and use high voltage electricity transmission networks and other facilities intended for electricity transmission. According to this agreement, services of electricity transmission system maintenance and operation will be rendered by Lietuvos Energija AB.

With effect from 1 January 2010, BALTPOOL UAB, a subsidiary of LITGRID UAB, carries out the functions of the Lithuanian power market operator, ensures a proper functioning of the domestic electric power trading exchange and organises transmission trading in Lithuania pursuant to the principles of Nord Pool Spot. The integration of the Baltic and Nordic power markets will result in the Lithuanian electric power trading exchange becoming part of a joint market of the Baltic countries. The formation of a joint electric power market will enable all participants of the power market of the Baltic region to trade in accordance with the principles observed in the Nordic power market. Following those principles higher efficiency is attained by making calculations of prices and electricity flows simultaneously.

### Liquidation of LEO LT, AB

On 4 January 2010, LEO LT, AB, which owns 664,700,833 (six hundred and sixty four million seven hundred thousand eight hundred and thirty three) shares of Lietuvos Energija AB, made a public statement that a decision passed by the sole shareholder of LEO LT, AB on 30 December 2009 regarding the liquidation of LEO LT, AB came into force on 31 December 2009.

### Commitment to transfer Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant

Under the agreement concluded by the shareholders of LEO LT, AB – the State of Lithuania represented by the Ministry of Economy and NDX Energija UAB, in the process of formation of LEO LT, AB group (a national electric power company), the shares of Lietuvos Energija AB were contributed into the capital of LEO LT, AB as disclosed in Note 1. Also, the shareholders agreed that the net assets of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant have to be separated from Lietuvos Energija AB into separate legal entities and the shares of these newly established entities are to be transferred to the State of Lithuania for a symbolic fee of 1 LTL by 27 May 2010.

Taking into consideration the fact that the Agreement on the formation of the national investor entered into between the Lithuanian Government and NDX Energija UAB on 29 April 2008 was terminated (except for Annex No. 11 to the Agreement) on the grounds of the Agreement on the dissolution of LEO LT, AB and cancellation of the agreements on the formation of the national investor entered into between the Lithuanian Government, NDX Energija UAB and LEO LT, AB on 4 December 2009, a decision was passed at the extraordinary general shareholder meeting of Lietuvos Energija AB held on 29 January 2010 regarding the termination of the approval procedure of spin-off terms and conditions of Lietuvos Energija AB drawn up by the Board of Lietuvos Energija AB on 29 September 2009 and terminate the spin-off procedure of branches of Lietuvos Energija AB, Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, from Lietuvos Energija AB as initiated by the 4 December 2008 decision of the extraordinary general shareholder meeting of Lietuvos Energija AB and as additional elaborated by the 8 September 2009 decision of the extraordinary general shareholder meeting of Lietuvos Energija AB.

### Other

On 4 January 2010, the authorised share capital of LITGRID UAB was increased by issuing 9,247,612 new ordinary registered shares with a nominal value of LTL 1 each.

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