RST
RYTŲ SKIRSTOMIEJI TINKLAI

To The Securities Commission of the Republic of Lithuiania
Konstitucijos ave. 23
LT-08105 Vilnius

26 03 2010

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 21 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Securities Commission of the Republic of Lithuania, we, Arvydas Tarasevičius, General Manager of Rytų skirstomieji tinklai AB, and, Arvydas Zakalskis, Director of Finance Department, hereby do confirm that, to the best of our knowledge, the Consolidated Financial Statements of the year 2009 of Rytų skirstomieji tinklai AB have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of Rytų skirstomieji tinklai AB and the Group as well as the Consolidated Annual Report includes a fair review of the development and performance of the business and the position of Rytų skirstomieji tinklai AB and the Group, including description of the main risks and contingencies faced.

General Manager — Arvydas Tarasevičius

Director of Finance department — Arvydas Zakalskis

AB RYTŲ SKIRSTOMIEJI TINKLAI

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 INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED ANNUAL REPORT

CONTENTS

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 Rytų skirstomieji tinklai AB

Report on the Financial Statements

We have audited the accompanying stand alone and consolidated financial statements (the 'financial statements') of Rytų skirstomieji tinklai AB (the 'Company') and its consolidated subsidiaries (together the 'Group') set out on pages 5 - 46 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 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 4 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 2,738 million and LTL 2,757 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.

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 47 – 113 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
26 March 2010

Statement of financial position

ASSETS	Note	GROUP		COMPANY	
		31/12/2009	31/12/2008		31/12/2009
Non-current assets					
Property, plant and equipment	4	2 828 552	3 236 996	2 798 675	3 195 633
Intangible assets	5	3 849	9 254	3 843	9 244
Prepayments for property, plant, equipment and intangible assets		1 310	6 571	1 310	6 571
Investments in subsidiaries	1	-	-	36 643	36 643
Deferred income tax asset	19	169	209	-	-
Non-current receivables	6	2 671	2 875	2 671	2 875
		2 836 551	**3 255 905**	**2 843 142**	**3 250 966**
Current assets					
Inventories	7	5 141	5 442	1 581	1 286
Trade and other receivables	8	98 130	109 591	97 507	109 713
Prepayments, deferred charges and accrued income	9	11 725	10 507	11 524	10 360
Prepaid income tax		239	322	-	-
Loans granted	27	70 000	-	70 000	-
Short-term deposits	11	47 500	-	47 500	-
Cash and cash equivalents	11	24 074	23 085	21 306	22 821
		256 809	148 947	249 418	144 180
Non-current assets classified as held for sale		679	148	2	148
		257 488	**149 095**	**249 420**	**144 328**
Total assets		**3 094 039**	**3 405 000**	**3 092 562**	**3 395 294**
EQUITY					
Equity and reserves attributable to equity holders of the Company					
Share capital	12	492 405	492 405	492 405	492 405
Revaluation reserve	13	1 243 355	1 462 054	1 237 738	1 452 735
Legal reserve	13	49 551	49 516	49 240	49 240
Other reserves	13	1 638	336 169	-	333 519
Retained earnings		490 362	82 495	497 175	89 277
Total equity		**2 277 311**	**2 422 639**	**2 276 558**	**2 417 176**
LIABILITIES **Amounts payable after one year and non-current liabilities**					
Borrowings	18	125 514	143 111	125 514	143 111
Deferred income tax liability	19	240 671	407 343	241 030	406 713
Deferred income	14	201 451	172 274	201 451	172 274
Grants and subsidies	15	9 004	9 578	9 004	9 578
Non-current employee benefits		4 859	6 068	4 859	6 068
Other non-current liabilities		-	734	-	734
		581 499	**739 108**	**581 858**	**738 478**
Amounts payable within one year and current liabilities					
Borrowings	18	54 918	33 934	54 918	29 489
Trade and other payables	16	146 210	144 079	145 180	145 069
Advances received and accrued liabilities	17	29 761	61 367	29 708	61 209
Derivative financial instruments	10	512	287	512	287
Current income tax liabilities		3 828	3 586	3 828	3 586
		235 229	**243 253**	**234 146**	**239 640**
Total liabilities		**816 728**	**982 361**	**816 004**	**978 118**
Total equity and liabilities		**3 094 039**	**3 405 000**	**3 092 562**	**3 395 294**

The financial statements presented on pages 5 to 46 were approved by the General Manager and Director of Financial department on 26 March 2010.

General Manager	Arvydas Tarasevičius		
Director of Finance department	Arvydas Zakalskis		

Statement of comprehensive income

	Note	GROUP		COMPANY	
		2009	2008	Note	2009
Revenue		1 163 245	1 194 218	1 160 346	1 190 962
Other income		25	45	-	-
Electricity purchased		(563 494)	(549 392)	(563 494)	(549 392)
Electricity transmission service expense		(159 425)	(166 073)	(159 424)	(166 073)
Depreciation and amortisation	4, 5, 15	(250 418)	(286 495)	(245 496)	(279 170)
Employee benefits and related social security contributions	20	(109 174)	(140 819)	(90 672)	(109 147)
Repair and maintenance expense		(29 073)	(43 969)	(44 531)	(63 446)
Transportation expense		(1 932)	(1 518)	(9 544)	(14 193)
Effect of revaluation of property, plant and equipment	4	(72 880)	(47 927)	(69 795)	(47 893)
Gain on disposal of property, plant and equipment		654	673	78	291
Other expenses	22	(30 909)	(41 383)	(29 494)	(43 147)
Operating profit (loss)		**(53 381)**	**(82 640)**	**(52 026)**	**(81 208)**
Income from financing activities	21	7 000	1 708	7 947	2 752
(Expenses) from financing activities	21	(4 599)	(8 226)	(4 547)	(7 993)
Gain (loss) from financing activities – net		2 401	(6 518)	3 400	(5 241)
(Loss)/profit before income tax		**(50 980)**	**(89 158)**	**(48 626)**	**(86 449)**
Income tax	19	13 653	6 668	13 456	6 368
(Loss)/profit before income tax		**(37 327)**	**(82 490)**	**(35 170)**	**(80 081)**
Income tax					
(Loss)/profit for the year	4	(230 528)	(229 153)	(227 278)	(222 070)
Other comprehensive (expense)/income: Loss on revaluation of property, plant and equipment	19	122 527	(61 688)	121 830	(62 624)
Other comprehensive (expense)/income for the year		**(108 001)**	**(290 841)**	**(105 448)**	**(284 694)**
Total comprehensive (expense)/income for the year		**(145 328)**	**(373 331)**	**(140 618)**	**(364 775)**
Attributable to equity holders of the Company:					
(Loss)/profit for the year		(37 327)	(82 490)	(35 170)	(80 081)
Total comprehensive (expense)/income		(145 328)	(373 331)	(140 618)	(364 775)
Basic and diluted earnings (deficit) per share (in LTL)	23	(0,08)	(0,17)	-	-

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

Statement of changes in equity

GROUP	Attributable to equity holders of the Company						
	Note	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2008		**492 405**	**1 923 857**	**49 409**	**160 207**	**170 092**	**2 795 970**
Comprehensive income							
Loss for the period		-	-	-	-	(82 490)	(82 490)
Other comprehensive income (expenses)							
Loss on revaluation of property, plant and equipment – net of deferred tax	13	-	(290 841)	-	-	-	(290 841)
Transfers to retained earnings (depreciation, net of deferred income tax)	13	-	(170 962)	-	-	170 962	--
Total comprehensive income		-	(461 803)	-	-	88 470	(373 331)
Transaction with owners – Transfer to reserves	13	-	-	107	175 962	(176 069)	-
Balance at 31 December 2008		**492 405**	**1 462 054**	**49 516**	**336 169**	**82 495**	**2 422 639**
Balance at 1 January 2009		**492 405**	**1 462 054**	**49 516**	**336 169**	**82 495**	**2 422 639**
Comprehensive income							
Loss for the period		-	-	-	-	(37 327)	(37 327)
Other comprehensive income (expenses)							
Loss on revaluation of property, plant and equipment – net of deferred tax	13	-	(108 001)	-	-	-	(108 001)
Transfers to retained earnings (depreciation, net of deferred income tax)	13	-	(131 870)	-	-	131 870	-
Transfer to retained earnings (correction of prior periods of deferred tax and depreciation)	13	-	21 172	-	-	(21 172)	-
Total comprehensive income		-	(218 699)	-	-	73 371	(145 328)
Transactions with owners							
Transfer to reserves	13	-	-	35	(331 881)	331 846	-
Reserves utilised	13	-	-	-	(2 650)	2 650	-
Total transactions with owners		**-**	**-**	35	(334 531)	334 496	**-**
Balance at 31 December 2009		**492 405**	**1 243 355**	**49 551**	**1 638**	**490 362**	**2 277 311**

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

Statement of changes in equity (con‘t)

COMPANY	Note	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2008		**492 405**	**1 906 787**	**49 240**	**158 521**	**174 998**	**2 781 951**
Comprehensive income							
Loss for the period		-	-	-	-	(80 081)	(80 081)
Other comprehensive income (expenses)							
Loss on revaluation of property, plant and equipment – net of deferred tax	13	-	(284 694)	-	-	-	(284 694)
Transfers to retained earnings (depreciation, net of deferred income tax)		-	(169 358)	-	-	169 358	-
Total comprehensive income		-	(454 052)	-	-	89 277	(364 775)
Transaction with owners – Transfer to reserves		-	-	-	174 998	(174 998)	-
Balance at 31 December 2008		**492 405**	**1 452 735**	**49 240**	**333 519**	**89 277**	**2 417 176**
Balance at 1 January 2009		**492 405**	**1 452 735**	**49 240**	**333 519**	**89 277**	**2 417 176**
Comprehensive income							
Loss for the period		-	-	-	-	(35 170)	(35 170)
Other comprehensive income (expenses)							
Loss on revaluation of property, plant and equipment – net of deferred tax		-	(105 448)	-	-	-	(105 448)
Transfers to retained earnings (depreciation, net of deferred income tax)		-	(130 721)	-	-	130 721	-
Transfer to retained earnings (correction of prior periods of deferred tax and depreciation)		-	21 172	-	-	(21 172)	-
Total comprehensive income		-	(214 997)	-	-	74 379	(140 618)
Transaction with owners – Transfer to reserves	13	-	-	-	(333 519)	333 519	-
Balance at 31 December 2009		**492 405**	**1 237 738**	**49 240**	**-**	**497 175**	**2 276 558**

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

Statement of cash flows

	Note	GROUP		COMPANY	
		2009	2008	2009	2008
Cash flows from operating activities					
(Loss)/profit for the year		(37 327)	(82 490)	(35 170)	(80 081)
Adjustments for:					
Depreciation and amortisation	4,5	252 094	287 498	246 070	279 697
Impairment of property, plant and equipment		(271)	(705)	(271)	(705)
Revaluation of property, plant and equipment	4	72 880	47 927	69 795	47 893
Income tax expense	19	(13 653)	(6 668)	(13 456)	(6 368)
Amortisation of deferred income		(7 825)	(6 197)	(7 825)	(6 197)
Amortisation of grants	15	(574)	(527)	(574)	(527)
(Gain)/loss on disposal and write-off of property, plant and equipment	4, 5	2 847	6 190	3 401	6 190
Dividends		-	-	(812)	(858)
Finance (income)	21	(7 000)	(1 708)	(7 135)	(1 894)
Finance costs	21	4 599	8 226	4 548	7 993
Changes in working capital:					
(Increase) decrease in trade receivables and other receivables		10 030	(18 376)	8 770	(15 557)
(Increase) decrease in inventories, prepayments and other assets		432	3 960	(295)	1 967
Increase in amounts payable and advance amounts received		2 719	50 423	1 421	51 370
Income tax (paid)		(30 296)	(17 440)	(30 149)	(17 050)
Net cash generated from operating activities		**248 655**	**270 113**	**238 318**	**265 873**
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets		(136 556)	(274 747)	(135 243)	(270 478)
Proceeds from sale of property, plant and equipment		1 185	708	275	700
Loan repayments received from subsidiaries		-	-	2 000	1 000
Loan repayments received		471	656	471	656
Loans granted		(70 000)	-	(70 000)	-
Term deposits		(47 500)	-	(47 500)	-
Dividends received		-	-	812	858
Interest received		7 000	1 708	7 135	1 894
Net cash used in investing activities		**(245 400)**	**(271 675)**	**(242 050)**	**(265 370)**
Cash flows from financing activities					
Proceeds from borrowings		-	128 961	-	128 961
(Repayments) of borrowings		(11 415)	(82 413)	(11 415)	(82 413)
Dividends (paid) to the Company's shareholders		(38)	(201)	(38)	(201)
Interest paid		(5 614)	(7 258)	(5 576)	(7 784)
Net cash used in financing activities		**(17 067)**	**39 089**	**(17 029)**	**38 563**
Increase in cash and cash equivalents		**(13 812)**	**37 527**	**(20 761)**	**39 066**
Cash and cash equivalents at beginning of the period	11	**7 479**	**(30 048)**	**11 660**	**(27 406)**
Cash and cash equivalents at end of the period	11	**(6 333)**	**7 479**	**(9 101)**	**11 660**

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

Notes to the financial statements

1. General information

AB Rytų skirstomieji tinklai (hereinafter “the Company”) is a public company registered in the Republic of Lithuania. The Company was registered with the Register of Legal Entities on 31 December 2001. The shares of the Company have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange. The address of the Company’s registered office is:

P. Lukšio St. 5b,
LT-08221 Vilnius,
Lithuania.

The core business of the Company includes electric power supply and distribution. The Company, which owns a medium and low voltage distribution network, is the only power distribution service provider to users in Eastern Lithuania.

As at 31 December 2009 and 2008, the shareholders of the Company were as follows:

	At 31 December 2009		At 31 December 2008	
	Number of shares held	**Ownership interest in %**	**Number of shares held**	**Ownership interest in %**
LEO LT, AB	351 316 161	71,35 %	351 316 161	71,35 %
Government of the Republic of Lithuania	-	-	-	-
E.ON Ruhrgas International AG (Germany)	99 845 392	20,28 %	99 845 392	20,28 %
Other shareholders	41 243 100	8,37 %	41 243 100	8,37 %
Total	**492 404 653**	**100 %**	**492 404 653**	**100 %**

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as of 31 December 2009 and 2008. The Company does not have any other classes of shares than ordinary shares mentioned above, there are no restrictions of share rights or special control rights for the shareholders set in the Articles of Association of the Company. The Company and its subsidiaries do not hold own shares.

On 28 June 2007, the Parliament of the Republic of Lithuania passed the Law on the Nuclear Power Plant, which laid down the procedure of implementation of the new nuclear power plant project by establishing a national investor. On 14 February 2008, an amendment to the Law on the Nuclear Power Plant was passed, which envisioned the establishment of a national investor on the basis of a new parent company by transferring the shares owned by the Government in AB Rytų skirstomieji tinklai to the new parent company. On 27 May 2008, the Shareholder Agreement of the national investor LEO LT, AB was signed. Immediately after that, an extraordinary general meeting of shareholders of LEO LT, AB was convened where it was decided to increase the share capital of LEO LT, AB by asset contributions made by Government of the Republic of Lithuania and UAB NDX Energija (private investor), in particular by contributing the shares of AB Rytų skirstomieji tinklai, AB Lietuvos energija and AB VST. The main shareholder of the Company is LEO LT, AB, owning 71.35 % of the Company‘s shares as of 31 December 2009. The remaining 28.65 per cent of the Company’s shares are held by other shareholders. As at 31 December 2009, the ultimate controlling party of the Company is the Government of the Republic of Lithuania.

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

1. General information (cont'd)

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

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

- for users that receive power from networks with voltage below 110 kV but not lower than 6kV, 27.26 ct/kWh (24.49 ct/kWh in 2008);

- for users that receive power from 0.4 kV voltage networks, 38.35 ct/kWh (35.59 ct/kWh in 2008).

The consolidated group

The consolidated group (hereinafter "the Group") consists of the Company and its three subsidiaries. The subsidiaries included in the Group's consolidated financial statements are listed below:

Subsidiary	Country of incorpora-tion	Cost of investment	Year of establish-ment	Group's share (%) as of		Profile
				31 December 2009	31 December 2009	
UAB Rytra	Lithuania	22 998	2004 m.	100 %	100 %	Transportation services
UAB Elektros tinklo paslaugos	Lithuania	11 657	2004 m.	100 %	100 %	Power network and related equipment repair and maintenance services
UAB Tetas	Lithuania	1 988	2005 m.	100 %	100 %	Power network design, construction, repair, maintenance and customer connection to the grid services
		36 643				

The Company's management approved these financial statements on 26 March 2010. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements.

2. Summary of significant accounting policies

Presented below are the significant accounting policies which were the basis for the preparation of these financial statements. These policies are applied consistently to all periods presented, unless otherwise stated.

2.1. Basis of preparation

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

These financial statements have been prepared on the basis of historical cost, except for property, plant and equipment which have been recorded at revalued amount and derivative financial instruments which have been recorded at fair value.

In the preparation of financial statements according to IFRS, certain significant accounting estimates must be observed. Management also has to take decisions related to the accounting policies applied by the Group and the Company. The areas where significant assumptions and accounting estimates are made are disclosed in Note 3.

2. Summary of significant accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

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

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

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

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

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

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

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

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods, but the Company has not early adopted them:

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

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

2. Summary of significant accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

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

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

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

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

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

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

- Classification of Rights Issues – Amendment to IAS 32 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment does not have an impact on the Group's and the Company's financial statements.

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

- Additional Exemptions for First-time Adopters - Amendments to IFRS 1 'First-time Adoption of IFRS' (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU). This amendment does not have an impact on the Group's and the Company's financial statements.

2.1. Basis of preparation (cont'd)

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

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

- IAS 24 'Related Party Disclosures' (amended November 2009, effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Company and the Group is considering if the amendment will have the effect on its disclosures.

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

- Improvements to International Financial Reporting Standards, issued in April 2009 (amendments to IFRS 2, IAS 38 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, 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).

- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 30 March 2009). The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. Application of IFRIC 12 will not have any impact on the Company's financial statements because it is not subject to any service concession arrangements.

- Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is not expected to have any impact on the Company's and the Group's financial statements.

2. Summary of significant accounting policies (cont'd)

2.2. Consolidated financial statements

The consolidated financial statements of the Group include AB Rytų skirstomieji tinklai and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Subsidiaries are consolidated from the date on 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.

Subsidiaries were established by the Company.

2.3. Segment information

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

2.4. Foreign currency translation

(a) Functional and presentation currency

The items shown in the financial statements of each company of the Group are valued by the currency of the original economic environment wherein a specific company operates (hereinafter the "functional currency"). The consolidated financial statements are presented in the Lithuanian Litas (LTL), which is the Company's functional and presentation currency.

With effect from 2 February 2002, the litas has been pegged with the euro at an exchange rate of LTL 3.4528 to EUR 1.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates effective as of the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.5. Property, plant and equipment

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

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

2. Summary of significant accounting policies (cont'd)

2.5. Property, plant and equipment (cont'd)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful life, as follows:

Buildings	8 - 50 years
Including:	
35 - 110 kV transformer substation buildings	35 years
10 kV distribution point buildings	35 years
10/0.4 kV transformer buildings	35 years
Connection and control system buildings	25 years
Structures and electricity network	5 - 50 years
Including:	
35 - 110 kV transformer substations (except buildings)	25 - 40 years
10 kV distribution points (except buildings)	30 years
10/0.4 kV power transformers	30 years
35 kV power lines	40 years
0.4 - 10 kV electricity network	30 - 40 years
10/0.4 kV transformers (except buildings)	30 years
Connection and control systems (except buildings)	10 - 40 years
Machinery and equipment	3 - 40 years
Other property, plant and equipment	3 - 50 years

Property, plant and equipment include spare parts that can only be used in connection with specific item of property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

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

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

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

2.6. Intangible assets

(a) Computer software

Acquired software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life (3 years).

(b) Other intangible assets

Intangible assets expected to provide economic benefit to the Group and the Company in future periods are valued at acquisition cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line method over estimated economic benefit period of 3 years.

2. Summary of significant accounting policies (cont'd)

2.7. Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are regularly reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8. Financial assets

According to IAS 39 'Financial instruments: recognition and measurement' the Group's and the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans granted and receivables, and financial assets classified as held for sale. All purchases and sales of financial assets are recognised on the trade date. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short - term. Derivatives are also categorised as held for trading unless they are designated as hedges. Gains or loss on investments held for sale are recognised in the statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Current receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised, impaired or amortised.

Impairment for receivables is recognised when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired loans and receivables are written-off when they are assessed as uncollectible.

2.9. Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Group and the Company do not use hedge accounting, therefore derivative instruments are accounted for at fair value through profit or loss. Changes in the fair value of derivative instruments are recognised immediately in the statement of comprehensive income within expenses of financing activities.

2.10. Investments in subsidiaries and associates in the separate financial statements of the Company

Investments in subsidiaries that are included in the separate financial statements of the Company are accounted for at cost less impairment loss.

2.11. Inventories

Inventories are subsequently carried at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out (FIFO) basis. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group and the Company from the tax authorities), transport, handling and other costs directly attributable to the acquisition of inventories. The cost excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. Summary of significant accounting policies (cont'd)

2.12. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the amount of impairment loss. Impairment of trade receivables is recognised when there is objective evidence that the Group or the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 2 months overdue) are considered indicators that the trade receivable is impaired. The impairment amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of the impairment amount, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off by reducing the impairment provision for trade receivables. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income as revenue.

2.13. Non-current assets held for sale

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

2.14. Short term deposits

Short – term deposits include short-term liquid investments with original maturities of more then three months. Deposits are carried at amortised cost using the effective interest method

2.15. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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 and bank overdrafts.

2.16. Trade payables

Trade payables are accrued when the counterparty has fulfilled its contractual obligations, and initially are carried at fair value, and subsequently measured at amortised cost using the effective interest rate method.

2.17. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently borrowings are stated at amortised cost. Any difference between the amount at initial recognition and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as costs for the period within which they were incurred.

2.18. Deferred income tax

Income tax

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

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

The standard income tax rate in Lithuania was 20 % in 2009 (In 2008 – 15 %). After the amendments of Income Tax Law of Republic of Lithuania had come into force, 15 % income tax rate has been established for indefinite period starting 1 January 2010.

2.18. Deferred income tax (cont'd)

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

Deferred income tax

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of the temporary 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 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 accounting profit nor taxable profit or loss.

The deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to realise all or part of the deferred income tax asset.

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

2.19. Employee benefits

Social security contributions

The Group and the Company pay social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group and the Company pay 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. The social security contributions are recognised as an expense on an accrual basis and are included within payroll expenses.

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 Group and the Company recognise termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Non-current benefits are recognised at present value discounted using market interest rate.

Gains and losses are recognised immediately in the statement of comprehensive income the Group and the Company All past service costs are recognised immediately.

Employee benefit liability

According to Lithuanian legislation and the terms of the collective agreement, each employee of the Group and the Company is entitled to 2–6 months salary payment when retiring after reaching the pension age. Employee benefit liability is recognised in the balance sheet and reflects present value of these benefits at the balance sheet date. Non-current employee benefit obligation as of the balance sheet date is based on actuarial calculations applying the projected credit unit method. The present value of the defined non-current employee benefit obligation is determined by discounting the estimated future cash flows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related liability.

2. Summary of significant accounting policies (cont'd)

2.20. Grants and subsidies

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group or the Company will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities in the balance sheet and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.
Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2.21. Operating lease (where the Group and the Company are lessee)

Leases of property where the lessor retains substantially all the benefits and risks of ownership are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.22. Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An unwinding of the discount during a period is recognised as interest cost.
Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be reliably estimated. Provisions are not recognised for future operating losses.

2.23. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's or the Company's activities. Revenue of the Company is shown net of value-added tax, returns, rebates and discounts and the Group's revenues – after eliminating sales within the Group.
Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group or the Company and specific criteria have been met for each of the Group's or the Company's activities as described below.

(a) Sales of electricity

Revenue on electricity sales to residential sector customers are recognised when electricity is provided. At the end of each accounting period a revenue accrual is made to record amounts of electricity supplied but not yet paid. Revenue accrual is estimated as 1/3 of payments received in January of the next reporting year for electricity, and is based on the Company's historical experience and average payment period by the customers.
Revenue on electricity sales to business customers are recognised when the sale of electricity is made based on the actual usage of the electricity which is determined based on electric meter measurements.

(b) Customer connection fees

Fees received from the new customers and producers for connection and reconstruction or transfer of the network items or equipment, according to the request of the customers, producers and others, initially are recognised as deferred 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.

(c) Sales of services

Sales of services, including revenue received for transfer or reconstruction of electricity equipment based on the customer's request, are recognised in the reporting period in which the services were rendered, by reference to the level of completion of a specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(d) Sales of goods

Sales of goods are recognised when the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered to the carrier or to a specified destination, is transferred from the Group or the Company to the buyer in accordance with the standardised terms and conditions of sale (INCOTERMS) agreed with the buyer, and collectability of the related receivables is reasonably assured.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group or the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2. Summary of significant accounting policies (cont'd)

2.23. Revenue recognition (cont'd)

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

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.

2.26. Contingencies

Contingent liabilities are not recognised in the financial statements. 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. Subsequent 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.

2.29. Offsetting

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

3. Critical accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements according to International Financial Reporting Standards as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. The significant areas of estimation used in the preparation of these financial statements relate to the following areas:

(a) Revaluation and impairment of assets

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

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

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 Group's and the Company's activities and the shareholders' equity reported in the financial statements for the year 2009.

Valuation of fair values of property, plant and equipment as at 31 December 2009 was not performed by independent valuers, as the above-mentioned amendments made to regulatory legislation come into force only from 1 January 2010 and their impact on the future revenue generation of the Company cannot be accurately assessed. Therefore as at the date of these financial statements it is not possible to estimate the fair value of the Group's and the Company's property, plant and equipment reliably. For further information see Note 4.

(b) Deferral of customer connection fees

The Group and the Company defer the revenue received for the new customer connections to the electricity network and recognise them as income over the period of 31 years, which is the average useful life of electricity equipment constructed by the Group or the Company for the purposes of connecting new customers. The Company is the only electric power provider to users in Eastern Lithuania, therefore management believes that the period of customer relations is close to infinite. As a result, the average useful life of electricity equipment constructed by the Group or the Company upon customer connection is used as the best estimate of the period over which connection fees paid customers are recognised as income. For further information see Note 14.

3. Critical accounting estimates (cont'd)

(c) Overdeclaration of income

The Company increased electricity prices from the beginning of the year 2010. Due to this reason some of the residents declared more electricity than actually consumed in order to pay at lower prices. The Company calculated the over declared amount based on the historical electricity consumption pattern and booked the amount as advances received. (Note 17)

(d) Accrued income

The revenue from the residential customers is recognised based on payments received, therefore at the end of each reporting period the amount of the revenue earned but not payed yet by the residential customers is estimated and accrued by the Company's management. The Company's management has estimated that most of the residential customers declare and pay for the electricity usage on approx. 20th day of the month, while the electricity is used for full month (30 or 31 days), therefore the usage for the remaining 10 days is proportionally estimated based on total December month usage declared by the residential customers and multiplied by the average rate per 1 kWh of electricity (Note 9).

(e) Impairment provision for accounts receivable

Impairment loss of accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the Company could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable. Carrying amounts of receivables are disclosed. For more information see Note 8.

(f) Useful lives of property, plant and equipment

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

(g) Tax audits

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

(h) Recent volatility in global and Lithuanian financial markets

The ongoing global liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the 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 Group's and Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's and the Company's business in the current circumstances.

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

4. Property, plant and equipment

Group	Land	Buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Construction in progress	Total
At 31 December 2007							
Cost or revalued amount	-	234 990	3 127 244	17 768	94 881	70 702	3 545 585
Accumulated depreciation	-	-	-	-	-	-	-
Net book amount	**-**	**234 990**	**3 127 244**	**17 768**	**94 881**	**70 702**	**3 545 585**
Net book amount at 31 December 2007	**-**	**234 990**	**3 127 244**	**17 768**	**94 881**	**70 702**	**3 545 585**
Additions	40	122	6 200	3 833	1 329	245 374	256 898
Revaluation	-	(49 884)	(222 431)	-	(4 764)	-	(277 079)
Disposals		(222)	(181)	(6)	(6)	-	(415)
Write-offs	-	(88)	(5 910)	-	(34)	(449)	(6 481)
Reversal of impairment	-	102	374	-	28	391	895
Reclassifications between groups	-	13 053	214 592	-	19 121	(246 385)	381
Depreciation charge	-	(16 928)	(236 841)	(4 220)	(24 799)	-	(282 788)
Net book amount at 31 December 2008	**40**	**181 145**	**2 883 047**	**17 375**	**85 756**	**69 633**	**3 236 996**
At 31 December 2008							
Cost or revalued amount	40	181 145	2 883 047	21 595	85 756	69 633	3 241 216
Accumulated depreciation	-	-	-	(4 220)	-	-	(4 220)
Net book amount	**40**	**181 145**	**2 883 047**	**17 375**	**85 756**	**69 633**	**3 236 996**
Net book amount at 31 December 2008	**40**	**181 145**	**2 883 047**	**17 375**	**85 756**	**69 633**	**3 236 996**
Additions	-	113	2 424	973	3 185	137 378	144 073
Revaluation	-	(38 219)	(258 251)	-	(5 654)	(1 284)	(303 408)
Disposals	-	(442)	(3)	(24)	(56)	-	(525)
Write-offs	-	(30)	(3 795)	(27)	(24)	-	(3 876)
Reclassified to assets held for sale	-	(851)	-	-	-	-	(851)
Reclassifications between groups	-	8 717	144 193	120	16 811	(169 841)	-
Depreciation charge	-	(13 719)	(203 652)	(3 752)	(22 734)	-	(243 857)
Net book amount at 31 December 2009	**40**	**136 714**	**2 563 963**	**14 665**	**77 284**	**35 886**	**2 828 552**
At 31 December 2009							
Cost or revalued amount	40	136 714	2 563 963	34 606	77 284	35 886	2 848 493
Accumulated depreciation	-	-	-	(19 941)	-	-	(19 941)
Net book amount	**40**	**136 714**	**2 563 963**	**14 665**	**77 284**	35 886	**2 828 552**

4. Property, plant and equipment (cont'd)

Group	Land	Buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Construction in progress	Total
At 31 December 2007							
Cost or revalued amount	-	207 041	3 122 241	140	92 861	70 598	3 492 881
Accumulated depreciation	-	-	-	-	-	-	-
Net book amount	**-**	**207 041**	**3 122 241**	**140**	**92 861**	**70 598**	**3 492 881**
Net book amount at 31 December 2007	**-**	**207 041**	**3 122 241**	**140**	**92 861**	**70 598**	**3 492 881**
Additions	40	78	6 681	-	1 191	245 329	253 319
Revaluation	-	(42 494)	(222 921)	-	(4 548)	-	(269 963)
Disposals	-	(222)	(181)	-	(7)	-	(410)
Write-offs	-	(88)	(5 910)	-	(34)	(449)	(6 481)
Reversal of impairment	-	102	375	-	28	391	896
Reclassifications between groups	-	13 144	214 501	-	19 018	(246 282)	381
Depreciation charge	-	(15 534)	(235 370)	(54)	(24 032)	-	(274 990)
Net book amount at 31 December 2008	**40**	**162 027**	**2 879 416**	**86**	**84 477**	**69 587**	**3 195 633**
At 31 December 2008							
Cost or revalued amount	40	162 027	2 879 416	140	84 477	69 587	3 195 687
Accumulated depreciation	-	-	-	(54)	-	-	(54)
Net book amount	**40**	**162 027**	**2 879 416**	**86**	**84 477**	**69 587**	**3 195 633**
Net book amount at 31 December 2008	**40**	**162 027**	**2 879 416**	**86**	**84 477**	**69 587**	**3 195 633**
Additions	-	113	2 079	-	3 110	137 378	142 680
Revaluation	-	(31 978)	(258 251)	-	(5 561)	(1 284)	(297 074)
Disposals	-	(148)	-	-	(49)	-	(197)
Write-offs	-	(30)	(3 794)	-	(24)	-	(3 848)
Reversal of impairment	-	8	183	1	39	40	271
Reclassifications between groups	-	7 519	145 736	-	16 773	(169 881)	147
Depreciation charge	-	(12 996)	(203 777)	(42)	(22 122)	-	(238 937)
Net book amount at 31 December 2009	**40**	**124 515**	**2 561 592**	**45**	**76 643**	**35 840**	**2 798 675**
At 31 December 2009							
Cost or revalued amount	40	124 515	2 561 592	140	76 643	35 840	2 798 770
Accumulated depreciation	-	-	-	(95)	-	-	(95)
Net book amount	**40**	**124 515**	**2 561 592**	**45**	**76 643**	**35 840**	**2 798 675**

Write-offs mainly represent write-offs of structures and electricity network equipment which had been damaged or replaced by the request of the customers of the Group and the Company.

Revaluation of property plant and equipment as at 31 December 2009

The last revaluation of the Group's and the Company's property, plant and equipment was performed on 31 December 2009.
The Group's and Company's property, pant and equipment (except for buildings, vehicles, quickly depreciable assets, e.g. computers) was revaluated using the indexes of construction prices as announced by the Statistics Department for 11 months to 30 November 2009. Impairment rate of 9.68 % of engineering structures was applied. The decrease in carrying amounts arising from revaluated property plant and equipment are as follows:

4. Property, plant and equipment (cont'd)

Group	Buildings	Structures and machinery	Other property, plant and equipment	Construction in progress	Total
Decrease in carrying amount	(6,703)	(258,251)	(5,654)	(1,284)	**(271,892)**
Company					
Decrease in carrying amount	(6,703)	(258,251)	(5,561)	(1,284)	**(271,799)**

The revaluation decrease of the Group and the Company amounting to LTL 271 892 thousand and LTL 271 799 thousand, respectively comprise of LTL 216,065 thousand and LTL 216,065 thousand decrease of revaluation reserve of previous revaluations and LTL 55,827 thousand and LTL 55,734 thousand decrease in assets' value, which was accounted for in the statement of comprehensive income, respectively.

In addition, the Group and the Company mainly real estate that historically was revalued using comparable market prices method (such as administration buildings, warehouses) on 31 December 2009 was revalued based on fair value changes of real estate prices in Lithuania by regions provided by an independent valuer Ober – Haus Nekilnojamas turtas UAB. This report was derived from market evidence of real estate prices. The decreases in carrying amounts arising from the real estate are as follows:

Group	Buildings	Total
Decrease in carrying amount	(31,516)	**(31,516)**
Company		
Decrease in carrying amount	(25,275)	**(25,275)**

The revaluation decrease of the Group and the Company amounting to LTL 31,516 thousand and LTL 25,275 thousand, respectively comprise of LTL 14,463 thousand and LTL 11,213 thousand decrease of revaluation reserve of previous revaluations and LTL 17,053 thousand and LTL 14,061 thousand decrease in assets' value, which was accounted for in the statement of comprehensive income, respectively

The summary of revaluation deficit movement 2009 is included below

	Decrease in other comprehensive income and revaluation reserve in statement of comprehensive income	Charged to statement of comprehensive income	Total revaluation deficit
Group			
Assets previously carried at depreciated replacement cost	216 065	55 827	**271 892**
Assets previously carried at market value	14 463	17 053	**31 516**
	230 528	**72 880**	**303 408**
Company			
Assets previously carried at depreciated replacement cost	216 065	55 734	**271 799**
Assets previously carried at market value	11 214	14 061	**25 275**
	227 279	**69 795**	**297 074**

Revaluation of property plant and equipment as at 31 December 2008

The revaluation as at 31 December 2008 was performed by independent valuers Matininkai UAB. Valuations of buildings were made on the basis of comparable market prices, structures and machinery and other property, plant and equipment based on depreciated replacement cost method. As of 31 December 2008 due to revaluation the value of assets of the Group and the Company decreased by LTL 277,079 thousand and LTL 269,963 thousand, respectively.

The revaluation decrease of the Group and the Company amounting to LTL 281,161 thousand and LTL 274,045 thousand, respectively comprise of LTL 232,601 thousand and LTL 225,519 thousand decrease of revaluation reserve of previous revaluations and LTL 48,560 thousand and LTL 48,526 thousand decrease in assets' value, which was accounted for in the statement of comprehensive income, respectively.

4. Property, plant and equipment (cont'd)

The increases and decreases in carrying amounts of the Group arising from the revaluation of property, plant and equipment are as follows:

	Buildings	Structures and machinery	Other property, plant and equipment	Total
Increase in carrying amount	1 675	2 308	99	**4 082**
Decrease in carrying amount	(51 559)	(224 739)	(4 863)	**(281 161)**
	(49 884)	**(222 431)**	**(4 764)**	**(277 079)**

The increases and decreases in carrying amounts of the Company arising from the revaluation of property, plant and equipment are as follows:

	Buildings	Structures and machinery	Other property, plant and equipment	Total
Increase in carrying amount	1 675	2 308	99	**4 082**
Decrease in carrying amount	(44 169)	(225 229)	(4 647)	**(274 045)**
	(42 494)	**(222 921)**	**(4 548)**	**(269 963)**

Had no revaluation been carried out in respect of property, plant and equipment, carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2009 and 2008 would be as follow:

Group	Land	Buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Construct-ion in progress	Total
At 31 December 2009	40	153 112	1 176 458	14 661	70 434	37 145	**1 451 850**
At 31 December 2008	40	157 856	1 084 978	17 364	67 229	69 633	**1 397 100**

Company	Land	Buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Construct-ion in progress	Total
At 31 December 2009	40	139 025	1 171 547	41	69 792	37 100	**1 417 545**
At 31 December 2008	40	142 595	1 081 465	75	65 940	69 587	**1 359 702**

5. Intangible assets

Group	Software	Other intangible assets	Total
2007 m. gruodžio 31 d.			
Cost	18 678	449	19 127
Accumulated amortisation	(8 034)	(392)	(8 426)
Net book amount	**10 644**	**57**	**10 701**
Net book amount at 31 December 2007	**10 644**	**57**	**10 701**
Additions	3 207	56	3 263
Amortisation charge	(4 647)	(63)	(4 710)
Net book amount at 31 December 2008	**9 204**	**50**	**9 254**
At 31 December 2008			
Cost	21 875	370	22 245
Accumulated amortisation	(12 671)	(320)	(12 991)
Net book amount	**9 204**	**50**	**9 254**
Net book amount at 31 December 2008	**9 204**	**50**	**9 254**
Additions	1 731		1 731
Amortisation charge	(7 117)	(19)	(7 136)
Net book amount at 31 December 2009	**3 818**	**31**	**3 849**
At 31 December 2009			
Cost	23 606	370	23 976
Accumulated amortisation	(19 788)	(339)	(20 127)
Net book amount	**3 818**	**31**	**3 849**

Company	Software	Other intangible assets	Total
2007 m. gruodžio 31 d.			
Cost	18 671	448	19 119
Accumulated amortisation	(8 032)	(392)	(8 424)
Net book amount	**10 639**	**56**	**10 695**
Net book amount at 31 December 2007	**10 639**	**56**	**10 695**
Additions	3 200	56	3 256
Amortisation charge	(4 645)	(62)	(4 707)
Net book amount at 31 December 2008	**9 194**	**50**	**9 244**
At 31 December 2008			
Cost	21 861	370	22 231
Accumulated amortisation	(12 667)	(320)	(12 987)
Net book amount	**9 194**	**50**	**9 244**
Net book amount at 31 December 2008	**9 194**	**50**	**9 244**
Additions	1 730		1 730
Amortisation charge	(7 112)	(19)	(7 131)
Net book amount at 31 December 2009	**3 812**	**31**	**3 843**
At 31 December 2009			
Cost	23 591	370	23 961
Accumulated amortisation	(19 779)	(339)	(20 118)
Net book amount	**3 812**	**31**	**3 843**

The Group and the Company have no internally created intangible assets.

As at 31 December 2009, the acquisition cost of intangible assets of the Group and the Company that were fully amortised but still in use amounted to LTL 8,002 thousand (31 December 2008: LTL 4,613 thousand).

.

6. Non-current receivables

Non-current receivables consist of mortgage loans which are issued to individuals for a period of 25 years. The mortgage loans are repayable in instalments by 2027. The loans are secured over residential property. In 2009 the current portion of these loans was equal to LTL 341 thousand (2008: LTL 350 thousand) and was accounted for under trade and other receivables. These loans were issued at a fixed interest rate ranging from 0.1 % to 1 %. Fair values of mortgage loans are presented below.

	Group		Company	
	2009	2008	2009	2008
Fair value of mortgage loans granted	2 861	3 146	2 861	3 146
Net book amount of mortgage loans granted	3 012	3 225	3 012	3 225

Fair value of mortgage loans was estimated on the basis of cash flows discounted at a rate of 5.4 % (7.85 % on 31 December 2008). The weighted average effective interest rate used by the Group and the Company for discounting of mortgage loans as at 31 December 2009 and 31 December 2008 is 7.55 %

7. Inventories

	Group		Company	
	2009	2008	2009	2008
Raw materials and spare parts	5 567	6 629	1 911	2 364
Electric meters	935	483	932	479
Fuel	117	149	8	7
Other	176	378	101	96
Less: Impairment	(1 654)	(2 197)	(1 371)	(1 660)
	5 141	**5 442**	**1 581**	**1 286**

As at 31 December 2009, the acquisition cost of the Group's and the Company's inventories accounted for at net realisable value amounted to LTL 2,448 thousand and LTL 1,488 thousand, respectively (31 December 2008: LTL 2,756 thousand and LTL 1,887 thousand, respectively).

Amount of inventory recognised as expense in the Group and the Company during the year ended 31 December 2009 amounted to LTL 22,184 thousand and LTL 8,724 thousand, respectively (31 December 2008: LTL 20,753 thousand and LTL 16,839 thousand, respectively). The expenses have been accounted under 'Repair and maintenance expenses' in profit and loss statement.

Movements on the impairment provision for inventories in 2009 and 2008 were as follows

	Group		Company	
	2009	2008	2009	2008
Impairment provision for inventories at 1 January	**2 197**	**2 374**	**1 660**	**1 761**
Increase in impairment provision for inventories	549	1 831	247	1 346
Write-off of impairment provision for inventories	(1 092)	(2 008)	(536)	(1 447)
Impairment provision for inventories at 31 December	**1 654**	**2 197**	**1 371**	**1 660**

Impairment provision established for certain inventories was written off because inventories were either written off or utilised.

.

8. Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
Trade receivables	111 455	115 968	110 132	113 767
Trade receivables and other amounts receivable from related parties	7 653	1 712	7 747	1 963
Loans granted to subsidiaries	-	-	-	2 000
Current portion of mortgage loans	341	350	341	350
Other receivables	482	10 713	1 027	10 748
Less: Impairment provision for doubtful amounts receivable	(21 801)	(19 152)	(21 740)	(19 115)
	98 130	**109 591**	**97 507**	**109 713**

The fair values of trade and other receivables approximate their carrying amounts.

Impairment provision for trade receivables is recognised when it is probable that the debtor will enter bankruptcy, fails to fulfil obligations or make payments when they fall due (overdue for more than 2 months).

The Group's and the Company's trade receivables not classified as doubtful included as follows:

	Group		Company	
	2009	2008	2009	2008
Not overdue	81 551	91 280	80 301	89 196
Overdue up to 1 month	352	640	352	640
Overdue from 1 to 2 months	5 007	3 276	5 007	3 276
Carrying amount	**86 910**	**95 196**	**85 660**	**93 112**

For aging of trade receivables from related parties refer to note 27.

No impairment on other amounts receivable was accounted for.

Trade receivables are non-interest bearing and are normally settled with the term of 25 to 35 days.

The Group's and the Company's trade receivables that were impaired and provided for is provided below

	Group		Company	
	2009	2008	2009	2008
Overdue up to 3 month	1 605	526	1 596	464
Overdue from 3 to 6 months	587	1 191	582	1 152
Overdue from more then 6 to 12 months	3 524	1 322	3 515	1 319
Overdue more then 1 year	18 829	17 733	18 779	17 720
Carrying amount	**24 545**	**20 772**	**24 472**	**20 655**

Movements in the provision for impairment of the Group's trade receivables and other receivables in 2009 and 2008 are as follows:

Balance at 31 December 2007	**18 509**
Impairment charge for the year	1 387
Utilised	(744)
Balance at 31 December 2008	**19 152**
Impairment charge for the year	3 101
Utilised	(465)
Balance at 31 December 2009	**21 788**

8. Trade and other receivables (cont'd)

Movements in the provision for impairment of the Company's trade receivables and other receivables in 2009 and 2008 were as follows:

Balance at 31 December 2007	**18 472**
Impairment charge for the year	1 387
Utilised	(744)
Balance at 31 December 2008	**19 115**
Impairment charge for the year	3 307
Utilised	(734)
Balance at 31 December 2009	**21 728**

9. Prepayments, deferred charges and accrued income

	Group		Company	
	2009	**2008**	**2009**	**2008**
Accrued income from electricity sales	9 912	8 803	9 912	8 803
Prepaid and recoverable taxes, other than income tax	32	-	11	-
Deferred charges	1 781	1 704	1 601	1 557
	11 725	**10 507**	**11 524**	**10 360**

Accrued income from electricity sales comprises earnings from electricity supplied to households but not paid for yet. They are estimated at 1/3 of payments received in December, and which will be actually received in January.

10. Derivative financial instruments

In order to manage interest rate risks, the Company uses derivative financial instruments.
To this end, the Company concluded interest rate swap agreements enabling it to convert floating interest flows into fixed.

As at 31 December 2009, nominal value of interest rate swaps amounted to LTL 79,932 thousand (31 December 2008: LTL 21,580 thousand).

As at 31 December 2009 and 2008, fair value of interest rate swaps comprised LTL 512 thousand liability and LTL 287 thousand asset, respectively.

Changes in fair value of derivatives are immediately taken to the statement of comprehensive income.

11. Cash and cash equivalents

	Group		Company	
	2009	**2008**	**2009**	**2008**
Term deposits with maturity of up to 3 months	20 731	22 500	20 726	22 500
Cash in bank	3 229	493	472	229
Cash in transit	114	92	108	92
	24 074	**23 085**	**21 306**	**22 821**

Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Cash and cash equivalents	24 074	23 085	21 306	22 821
Bank overdraft	(30 407)	(15 606)	(30 407)	(11 161)
	(6 333)	**7 479**	**(9 101)**	**11 660**

As at 31 December 2009, the average weighted interest rate for the deposits with the maturity of up to three months was 5.60 per cent. (2008 : 8.8 %)
s at 31 December 2009 the Group and the Company has short term deposits in bank for amount of LTL 47,500 thousand with maturity longer then 3 months.

As at 31 December 2009, the average weighted interest rate for the deposits with the maturity of up to three months was 5.60 per cent. (2008 : 8.8 %)

As at 31 December 2009 the Group and the Company has short term deposits in bank for amount of LTL 47,500 thousand with maturity longer then 3 months.

12. Share capital

As at 31 December 2009, the Company's authorised share capital comprised 492,404,653 (2008: 492,404,653) ordinary registered shares with a par value of LTL 1 per share. All the shares are fully paid. There were no changes in the number of shares in 2009.

13. Reserves

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of at least 5 per cent of net profit calculated in accordance with the Lithuanian accounting principles should be made until the reserve reaches 10 per cent of the authorised share capital. As at 31 December 2009, a legal reserve was fully established.

Revaluation reserve

Revaluation reserve arises from revaluation of property, plant and equipment due to the value increase. In accordance with the Lithuanian legislation the company can use revaluation reserve to increase its share capital. However, this reserve cannot be used to cover losses.

Group	Revaluation reserve	Deferred income tax	Net of deferred income tax
The Balance as at 31 December 2007	**2 285 307**	**(361 450)**	**1 923 857**
Gain (losses) on revaluation of property plant and equipment during the year	(229 153)	45 831	(183 322)
Transfer from revaluation reserve to retained earnings during the year (depreciation, write offs, etc)	(208 490)	37 528	(170 962)
Impact on deferred tax due to change in tax rate	-	(107 519)	(107 519)
The balance as at 31 December 2008	**1 847 664**	**(385 610)**	**1 462 054**
Gain (losses) on revaluation of property plant and equipment during the year	(230 528)	46 106	(184 422)
Transfer from revaluation reserve to retained earnings during the year (depreciation, write offs, disposals etc)	(164 838)	32 968	(131 870)
Release of deferred tax on transfer from revaluation reserve to share capital	-	12 271	12 271
Depreciation reverse on the revaluation reserve which was transferred to share capital	10 472	(1 571)	8 901
Impact on deferred tax due to change in tax rate	-	76 421	76 421
The balance as at 31 December 2009	**1 462 770**	**(219 415)**	**1 243 355**

13. Reserves (cont'd)

Company	Revaluation reserve	Deferred income tax	Net of deferred income tax
Likutis 2007 m. gruodžio 31 d.	**2 264 967**	**(358 180)**	**1 906 787**
Pelnas (nuostolis) dėl ilgalaikio materialiojo turto perkainojimo per metus	(222 070)	44 414	(177 656)
Perkainojimo rezervo pervedimas į nepaskirstytąjį pelną per metus (nusidėvėjimas, nurašytas turtas ir pan.)	(206 534)	37 176	(169 358)
Atidėtojo pelno mokesčio apskaičiavimo pasikeitimas dėl pasikeitusio mokesčio tarifo	-	(107 038)	(107 038)
Likutis 2008 m. gruodžio 31 d.	**1 836 363**	**(383 628)**	**1 452 735**
Pelnas (nuostolis) dėl ilgalaikio materialiojo turto perkainojimo per metus	(227 278)	45 456	(181 822)
Perkainojimo rezervo pervedimas į nepaskirstytąjį pelną per metus (nusidėvėjimas, nurašytas turtas, perleistas turtas ir pan.)	(163 403)	32 681	(130 722)
Atidėtojo pelno mokesčio nuo perkainojimo rezervo tikslinimas	-	12 271	12 271
Perkainojimo rezervo nusidėvėjimo tikslinimas	10 472	(1 571)	8 901
Atidėtojo pelno mokesčio apskaičiavimo pasikeitimas dėl pasikeitusio mokesčio tarifo	-	76 375	76 375
Likutis 2009 m. gruodžio 31 d.	**1 456 154**	**(218 416)**	**1 237 738**

The Company has corrected the deferred tax accounted for in revaluation reserve for amount of LTL 12,271 thousand. Furthermore, the Group and Company has reassessed the effect of depreciation on revaluation reserve for amount of LTL 8,901 thousand.

Other reserves

Other reserves are formed based on the decision of shareholders and can be redistributed on the distribution of next year's profit.
At the ordinary general shareholders' meeting held on 30 April 2009 shareholders of AB Rytų skirstomieji tinklai resolved not to distribute the amount of LTL 333,519 thousand accounted for in other reserves and remain it recorded under the item of retained earnings (deficit). As at 31 December 2009, other reserves of the Group amounted to LTL 1,638 thousand (2008: other reserves of the Group amounted to LTL 336,169 thousand and other reserves of the Company amounted to LTL 333,519 thousand).

14. Deferred income

	Group/Company	
	2009	**2008**
Deferred income from customer connection fees	192 042	164 774
Deferred income from public service obligations (PSO) electricity sales	1 280	489
Deferred income from replacement of electricity equipment	8 129	7 011
	201 451	**172 274**

Deferred income from customer connection fees

	2009	2008
At beginning of period	**170 582**	**110 608**
Deferred during the period	34 799	64 589
Recognised in the profit and loss account	(6 418)	(4 615)
At end of period	**198 963**	**170 582**
Non-current portion	192 042	164 774
Current portion	6 921	5 808
Total	**198 963**	**170 582**

15. Grants and subsidies

Movements in grants and subsidies of the Group and the Company in 2009 and 2008 were as follows:

Balance at 31 December 2007	**7 406**
Received	2 699
Amortisation charge	(527)
Balance at 31 December 2008	**9 578**
Received	-
Amortisation charge	(574)
Balance at 31 December 2009	**9 004**

Grants consist of financing received from the EU Funds for the purpose of acquisition and construction of structures and electricity networks and the same type of assets received at no consideration from the Government of the Republic of Lithuania.

As at 31 December 2009, amortisation of grants of the Group and Company amounted to LTL 574 thousand (31 December 2008: LTL 527 thousand). Amortisation of grants is accounted for under depreciation and amortisation in the statement of comprehensive income and reduces depreciation expenses of related asset.

16. Trade and other payables

	Group		Company	
	2009	**2008**	**2009**	**2008**
Trade payables	62 261	35 983	52 014	30 654
Amounts payable to subsidiaries	-	-	12 644	9 699
Amounts payable to companies controlled by the Ministry of Economy	72 693	91 565	72 692	91 565
Total trade payables	**134 954**	**127 548**	**137 350**	**131 918**
Taxes, other than income tax	3 733	7 780	2 479	6 742
Employment-related liabilities	7 115	8 339	4 960	5 999
Other current liabilities	408	412	391	410
Total other amounts payables	**11 256**	**16 531**	**7 830**	**13 151**
	146 210	**144 079**	**145 180**	**145 069**

Trade payables

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled within the term of 60 days.
- Other payables are non-interest bearing and have an average settlement term of 6 months.
- Interest payable is normally paid in quarters over the course of the financial year.
- Terms and conditions applicable to amounts payable to related parties are described in Note 27.

17. Advances received and accrued liabilities

	Group		Company	
	2009	**2008**	**2009**	**2008**
Advances received	17 525	45 370	17 522	45 344
Current portion of deferred income from customer connection fees	6 921	5 807	6 921	5 807
Accruals	5 315	10 190	5 265	10 058
	29 761	**61 367**	**29 708**	**61 209**

Advances received

Advances received mainly comprise advances receivable for new costumer connections and estimated overdeclaration of electricity that took place due to the fact that the electricity prices were increased from 1 January 2010. The over declared amount was accounted for as advances received. In 2009, the number of contracts concluded with new customers dropped significantly, consequently the amount of advances received was lower.

18. Finansinės skolos

	Group		Company	
	2009	2008	2009	2008
Non-current borrowings				
Bank borrowings	**125 514**	**143 111**	**125 514**	**143 111**
Current borrowings				
Overdraft	30 408	15 606	30 408	11 161
Bank borrowings	24 510	18 328	24 510	18 328
	54 918	**33 934**	**54 918**	**29 489**
Total borrowings	**180 432**	**177 045**	**180 432**	**172 600**

All the Group's and the Company's borrowings bear floating interest rate with repricing period up to 6 months. No assets are provided as collateral for borrowings.

The maturity of non-current borrowings is as follows:

	Group		Company	
	2009	2008	2009	2008
1 to 2 years	35 559	21 054	35 559	21 054
2 to 5 years	68 148	94 798	68 148	94 798
Over 5 years	21 807	27 259	21 807	27 259
	125 514	**143 111**	**125 514**	**143 111**

The average interest rates at the balance sheet date were as follows:

	Group		Company	
	2009	2008	2009	2008
Overdraft	1,65 %	4,64 %	1,65 %	4,27 %
Bank borrowings	1,23 %	4,45 %	1,23 %	4,45 %

The carrying amount of non-current and current borrowings bearing floating interest rate approximates their fair value.

The carrying amounts of the Group's and the Company's borrowings are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
LTL	30 408	15 606	30 408	11 161
EUR	150 024	161 439	150 024	161 439
	180 432	**177 045**	**180 432**	**172 600**

The Group and the Company have the following undrawn borrowing facilities:

	Group		Company	
	2009	2008	2009	2008
Borrowings bearing a variable interest rate and maturing within one year	14 592	49 344	14 592	44 839
Borrowings bearing a variable interest rate and maturing after one year	-	-	-	-

The borrowings outstanding as at 31 December 2009 were subject to a number of covenants. Management believes that the Group and the Company complied with all of them.

19. Deferred income tax

Components of the Group's and the Company's income tax expense for 2009 and 2008 are presented below:

	Group		Company	
	2009	2008	2009	2008
Current year income tax expense	30 451	22 072	30 395	21 976
Deferred income tax (benefit)	(44 104)	(28 740)	(43 851)	(28 344)
	(13 653)	**(6 668)**	**(13 456)**	**(6 368)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts offset are presented in the table below:

Group						
Deferred tax asset	**New customer connection income**	**Impairment of assets**	**Accrued expenses**	**Loss carry forward**	**Over declared electricity**	**Total**
As at 1 January 2008	**4 010**	**2 786**	**1 444**	**-**	**-**	**8 240**
Charged/(credited) to the statement of comprehensive income	1 143	956	854	548	968	4 469
Charged/(credited) to other comprehensive income	-	-	-	-	-	-
As at 31 December 2008	**5 153**	**3 742**	**2 298**	**548**	**968**	**12 709**
Charged/(credited) to the statement of comprehensive income	(1 434)	(510)	(287)	79	(36)	(2 188)
Charged/(credited) to other comprehensive income	-	-	-	-	-	-
As at 31 December 2009	**3 719**	**3 232**	**2 011**	**627**	**932**	**10 521**

Deferred tax liability	**Revaluation of and changes in property, plant and equipment due to different depreciation rates**	**Over declared electricity**	**Total**
2008 m. sausio 1 d.	**(366 766)**	**(15 535)**	**(382 301)**
As at 1 January 2008	27 890	(3 743)	24 147
Charged/(credited) to the statement of comprehensive income	(61 688)		(61 688)
Charged/(credited) to other comprehensive income	**(400 564)**	**(19 278)**	**(419 842)**
As at 31 December 2008	40 491	5 801	46 292
Charged/(credited) to the statement of comprehensive income	122 527	-	122 527
Charged/(credited) to other comprehensive income	**(237 546)**	**(13 477)**	**(251 023)**

Company					
Deferred tax asset	**New customer connection income**	**Impairment of assets**	**Accrued expenses**	**Over declared electricity**	**Total**
Deferred tax asset	**4 010**	**2 786**	**1 242**	**-**	**8 038**
As at 1 January 2008	1 143	916	753	968	3 780
Charged/(credited) to the statement of comprehensive income	-	-	-	-	-
Charged/(credited) to other comprehensive income	**5 153**	**3 702**	**1 995**	**968**	**11 818**
As at 31 December 2008	(1 434)	(506)	(179)	(36)	(2 155)
Charged/(credited) to the statement of comprehensive income	-	-	-	-	-
Charged/(credited) to other comprehensive income	**3 719**	**3 196**	**1 816**	**932**	**9 663**

19. Deferred income tax (cont'd)

Deferred tax liability	Revaluation of and changes in property, plant and equipment due to different depreciation rates	Over declared electricity	Total
As at 1 January 2008	**(364 931)**	**(15 535)**	**(380 466)**
Charged/(credited) to the statement of comprehensive income	28 302	(3 743)	24 559
Charged/(credited) to other comprehensive income	(62 624)	-	(62 624)
As at 31 December 2008	**(399 253)**	**(19 278)**	**(418 531)**
Charged/(credited) to the statement of comprehensive income	40 207	5 801	46 008
Charged/(credited) to other comprehensive income	121 830	-	121 830
As at 31 December 2009	**(237 216)**	**(13 477)**	**(250.693)**

Deferred tax assets were offset with deferred tax liability in the Company's balance sheet as they relate to the same fiscal authority. In the Group deferred income tax assets related to operations of subsidiaries are not offset against deferred income tax liability in the Company and are presented separately as non-current assets.

When calculating deferred income tax as at 31 December 2009, the Company applied income tax rate of 15 % on those components which will be realised in 2010 and subsequent periods.

Income tax disclosed in the statement of comprehensive income relating to the results of the reporting period can be reconciled to income tax that would arise using an enacted income tax rate of 20% for 2009 and 15% for 2008 applicable to profit before income tax as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Profit before tax	(50 980)	(89 158)	(48 626)	(86 449)
Income tax at a rate of 20% (2008: 15%)	(10 196)	(13 374)	(9 725)	(12 967)
Permanent differences	867	(1 659)	237	(1 714)
Change in income tax rate	(4 324)	8 365	(3 968)	8 313
	(13 653)	**(6 668)**	**(13 456)**	**(6 368)**

20. Employee benefits and related social security contributions

	Group		Company	
	2009	**2008**	**2009**	**2008**
Payroll costs	73 695	86 941	61 599	67 454
Termination benefits	1 687	8 813	1 480	7 131
Social security contributions	23 601	31 051	19 785	24 376
Other payroll related expenses	89	182	68	132
Costs relating to accrued vacation reserve	7 706	10 559	5 904	7 676
Social security contributions on accrued vacation reserve	2 396	3 273	1 836	2 378
	109 174	**140 819**	**90 672**	**109 147**

21. Income(expenses) from financing activities

	Group		Company	
	2009	2008	2009	2008
Income from financing activities				
Interest on late payments related to trade receivables	1 072	861	1 095	857
Interest income from credit institutions	4 577	737	4 568	736
Interest income from loans granted	1 351	110	1 472	301
Dividends income	-	-	812	858
	7 000	**1 708**	**7 947**	**2 752**
(Expenses) of financing activities				
Interest paid on loans	(4 373)	(7 522)	(4 321)	(7 289)
Derivates – interest rate swaps	(225)	(702)	(225)	(702)
Foreign exchange transaction (losses)	(1)	(2)	(1)	(2)
	(4 599)	**(8 226)**	**(4 547)**	**(7 993)**

22. Other expenses

	Group		Company	
	2009	2008	2009	2008
Write-offs of property, plant and equipment	3 488	5 850	3 479	5 861
Taxes, other than income tax	3 353	5 017	2 967	4 185
Expenses associated with cash collection	4 011	3 982	4 011	3 982
Consultancy services	3 326	4 761	3 216	4 534
Cleaning services	2 291	2 814	2 075	2 541
Communications	1 626	1 827	1 436	1 586
Security	1 286	1 812	750	1 065
Insurance	462	1 716	132	1 372
Changes in impairment provision for amounts receivable and write-offs of bad debts	3 101	964	3 307	1 014
Payments according to collective agreement	1 300	5 862	1 262	5 293
Training	707	1 366	631	1 150
Postal services	869	725	846	692
Advertising, public relations	1 310	1 050	1 245	963
Stationery	456	740	397	665
Heating	853	693	807	678
Rent	1 213	801	1 643	1 510
Publishing	302	272	302	272
Asset management costs	293	414	293	414
Business trips	112	320	59	233
Charity, support	81	304	81	304
Other	469	93	555	4 833
	30 909	**41 383**	**29 944**	**43 147**

23. Basic and diluted earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.
.

	Group	
	2009	**2008**
Net (loss) profit attributable to equity holders of the Company (in LTL thousands)	(37 327)	(82 490)
Weighted average number of shares (in thousand)	492 405	492 405
Basic earnings (deficit) per share (in LTL)	(0,08)	(0,17)

Diluted

Diluted earnings (deficit) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of potentially dilutive ordinary shares which can be issued, as disclosed in Note 26, for the contributions in kind of electricity distribution equipment that are under common use by their owners and the Company. Until 31 December 2009 the Company has not issued any ordinary shares in exchange for electricity distribution equipment and does not plan to do it in the future.

24. Dividends per share

Approved dividends per share

	2009	**2008**
Approved dividends	-	-
Weighted average number of shares	492 404 653	492 404 653
Approved dividends per share (in LTL)	-	-

25. Financial risk management

Credit risk

The Group and the Company have no significant concentration of credit risk. Credit risks or the risks of counterparties defaulting, are controlled by the application of credit terms and monitoring procedures.

The Group and the Company do not issue guarantees to secure the fulfilment of obligations of third parties. The carrying amount of each item of financial assets including derivative financial instruments in the balance sheet, if any, exposes the Group and the Company to the maximum credit risk. Therefore, the Company's management believes that the maximum risk approximates the amount of mortgage loans, loans, trade and other receivables and derivative financial instruments, less recognised impairment loss at the balance sheet date.

Because of the specific character of the Group's and the Company's operations no collateral is required from customers.

The Group and the Company invests free cash into low risk financial instruments only e.g. term deposits, secure financial institution's and Government's financial instruments. Priority is to assure safety and to maximize profitability of investments made. Investments are made into financial instruments with credit rating A or higher, as set by the rating agency Fitch Ratings (or similar).

As at 31 December 2009, maximum exposure to credit risk of the Group and the Company amounted to LTL 241,894 thousand and LTL 238,607 thousand, respectively (31 December 2008: LTL 132,676 thousand and LTL 132,534 thousand).

Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates.

All the Group's and the Company's borrowings bear variable interest rate linked with EURIBOR, EUR LIBOR and VILIBOR and expose the Group and the Company to the interest rate risk.

The Group and the Company manage the interest rate risk by entering into interest swap agreements by changing a variable interest rate into a fixed interest rate. The Company takes long-term borrowings from banks with the variable interest rate and concludes respective swap agreements for changing the variable interest rate to fixed interest rate thus ensuring lower fixed interest rates as compared to those, which would have been applicable if the loan agreements with the fixed rate were directly concluded with the banks.

25. Financial risk management (cont'd)

An interest rate swap agreement is a bilateral agreement according to which the parties undertake to swap the cash flows of interest calculated for the period agreed when entering into transaction on the agreed amount. Usually, according to this agreement the cash flows of one financial instrument (either with fixed or variable interest rate) are exchanged with the cash flows from other financial instrument (either with fixed or variable interest rate). In such transaction both parties can pay the calculated amount of interest or one of the parties can pay the difference between the interest amounts.

Interest rate swap agreements are concluded when the increase of the interest base-rate is projected in the future and hence the interest payable by the Group and the Company at the variable interest rate could increase respectively, or when the decrease of interest base-rate is projected in the future and hence the interest payable by the Company at the fixed interest rate could increase respectively.

As at 31 December 2009 and 2008, borrowings of the Group and the Company, interest rate risk of which is managed by interest rate swaps, amounted to LTL 79,932 thousand and LTL 21,580 thousand, respectively.
As at 31 December 2009 and 2008, the Group and the Company did not hold any other financial instruments designated to manage exposure to fluctuation in interest rates arising from the remaining amount of borrowings (other than described above).

Interest rate risk (continued)

The following table discloses the sensitivity of the Group's and the Company's profit before tax to possible changes in interest rates, taking into account the effect of interest rate swaps and with all other variables held constant (changing interest rate). There is no impact on the Group's and the Company's equity, other than current year profit impact.

	Group		Company	
	Increase / decrease of %	**Effect on pre-tax profit**	**Increase / decrease of %**	**Effect on pre-tax profit**
2009 m.				
EUR	+1,0 %	(1 288)	+1,0 %	(1 288)
EUR	-1,0 %	1 288	-1,0 %	1 288
LTL	+1,0 %	(105)	+1,0 %	(86)
LTL	-1,0 %	105	-1,0 %	86
2008 m.				
EUR	+1,0 %	(974)	+1,0 %	(974)
EUR	-1,0 %	974	-1,0 %	974
LTL	+1,0 %	(170)	+1,0 %	(135)
LTL	-1,0 %	170	-1,0 %	135

Foreign exchange risk

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

Liquidity risk

The Group's and the Company's policy is aimed at maintaining sufficient cash and cash equivalents or ensuring funding through committed credit lines in order to implement obligations assumed in its strategic plans. The Group's liquidity ratio (total current assets / total amounts payable within one year and total current liabilities) and quick ratio (total current assets – inventories) / total amounts payable within one year and total current liabilities) as at 31 December 2009 were 1.10 and 1.08 respectively (31 December 2008: 0.61 and 0.59, respectively). The Company's liquidity ratio (total current assets / total amounts payable within one year and total current liabilities) and quick ratio (total current assets – inventories) / total amounts payable within one year and total current liabilities) as at 31 December 2009 were 1.07 and 1.07 respectively (31 December 2008: 0.60 and 0.60, respectively). To minimise cash balances held in accounts, the Company uses credit lines and holds other financial instruments.

Although the management expects marginal cash flows from operations in 2010, it believes the Company has sufficient funds accumulated and support from its banks to cover all cash outflows in 2010.

In the opinion of management, the Group's and the Company's cash flows generated from its operating activities and financial support will be sufficient to cover its current liabilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings as at 31 December 2009 and 2008 based on undiscounted contractual payments.

25. Financial risk management (cont'd)

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Borrowings and other liabilities bearing interest rate	10 358	30 745	132 244	30 090	203 437
Trade and other payables	127 562	126	272	-	127 960
At 31 December 2008	**137 920**	**30 871**	**132 516**	**30 090**	**331 397**
	31 091	25 781	106 978	22 500	186 350
Borrowings and other liabilities bearing interest rate	135 015	-	347	-	135 362
Trade and other payables	**166 106**	**25 781**	**107 325**	**22 500**	**321 712**

Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings as at 31 December 2009 and 2008 based on undiscounted contractual payments.

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Borrowings and other liabilities bearing interest rate	10 296	26 234	132 244	30 090	198 864
Trade and other payables	131 934	124	270	-	132 328
At 31 December 2008	**142 230**	**26 358**	**132 514**	**30 090**	**331 192**
Borrowings and other liabilities bearing interest rate	31 091	25 781	106 978	22 500	186 350
Trade and other payables	137 394	-	347	-	137 741
At 31 December 2009	**168 485**	**25 781**	**107 325**	**22 500**	**324 091**

Fair values of financial instruments

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade receivables and other accounts receivable, trade and other debts and non-current and current 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 carrying amounts of financial assets and liabilities of the Group and the Company approximate their fair value except for mortgage loans as it is disclosed in Note 6.

The fair value of borrowings is estimated based on discounted projected future cash flows using prevailing interest rates. The fair value of loans and other financial assets is estimated based on market interest rate. The fair value of interest rate swap contracts is estimated based on valuation techniques established for swap contracts.

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

a) The carrying amount of current trade and other accounts receivable, current trade and other debts and current borrowings approximates their fair value.
b) The fair value of non-current debt is estimated 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 non-current debt with variable interest rates approximates their carrying amounts.

25. Financial risk management (cont'd)

Financial instruments by category

Group	Loans and receivables	Total
31 December 2009		
Loans and deposits	120 512	120 512
Trade receivables	97 308	97 308
Cash and cash equivalents	24 074	24 074
	241 894	**241 894**

	Other financial liabilities	Liabilities at fair value through profit and loss	Total
31 December 2009			
Borrowings	180 432	-	180 432
Trade payables	134 954	-	134 954
Derivatives	-	512	512
Other liabilities	373	-	373
	315 759	**512**	**316 271**

Company	Loans and receivables	Total
31 December 2009		
Loans and deposits	117 500	117 500
Trade receivables	96 789	96 789
Cash and cash equivalents	21 306	21 306
	235 595	**235 595**

	Other financial liabilities	Liabilities at fair value through profit and loss	Total
31 December 2009			
Borrowings	180 432	-	180 432
Trade payables	137 350	-	137 350
Derivatives	-	512	512
Other liabilities	371	-	371
	318 153	**512**	**318 665**

Company	Loans and receivables	Total
31 December 2009		
Loans and deposits	98 615	98 615
Trade receivables	3 225	3 225
Cash and cash equivalents	23 085	23 085
	124 925	**124 925**

	Other financial liabilities	Liabilities at fair value through profit and loss	Total
31 December 2009			
Borrowings	177 045	-	177 045
Trade payables	127 548	-	127 548
Derivatives	-	287	287
Other liabilities	1 147	-	1 147
	305 740	**287**	**306 027**

Company	Loans and receivables	Total
31 December 2009		
Loans and deposits	96 893	96 893
Trade receivables	3 225	3 225
Cash and cash equivalents	22 821	22 821
	122 939	**122 939**

Company	Other financial liabilities	Liabilities at fair value through profit and loss	Total
31 December 2008			
Borrowings	172 600	-	172 600
Trade payables	131 918	-	131 918
Derivatives	-	287	287
Other liabilities	1 144	-	1 144
	305 662	**287**	**305 949**

26. Off-balance sheet commitments

Buyout of electricity equipment

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

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

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

According to Resolution No. 1281 of 5 December 2007 of the Government of the Republic of Lithuania, the following deadlines for the submission of documents by homestead cooperatives were established:
(1) Applications to energy companies with the requests to buyout equipment had to be submitted by 1 July 2009;
(2) Documents supporting the ownership right of equipment to be bought out, provided that they were not submitted together with the application to buyout equipment, had to be submitted by 31 December 2009.

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

27. Related party transactions

In 2009 and 2008, the Company's related parties were as follows:

Companies controlled by the Lithuanian Ministry of Energy;
LEO LT, AB (the main shareholder of the Company) and its subsidiaries; 100 % of shares of LEO AB belongs to government of Lithuanian Republic (ultimate controlling party)
Subsidiaries of the Company;
E.ON Ruhrgas International AG (Germany).

As at 31 December 2009, LEO LT, AB was the main shareholder of the Company (the ultimate controlling parent).

For the purpose of the related party disclosure, transactions between the Company and the related parties include all transactions.

The following related party transactions were conducted:

Sales of goods and services to:	Group		Company	
	2009	2008	2009	2008
Subsidiaries	-	-	4 072	6 693
Companies controlled by the Ministry of Energy (including LEO LT, AB and its subsidiaries)	3 402	3 381	3 331	3 188
	3 402	**3 381**	**7 403**	**9 881**

Purchases of products and services from:	Group		Company	
	2009	2008	2009	2008
Subsidiaries	-	-	76 228	89 215
Companies controlled by the Ministry of Energy (including LEO LT, AB and its subsidiaries)	656 484	679 224	655 861	679 208
	656 484	**679 224**	**732 089**	**768 423**

27. Related party transactions (con't)

Purchases of products and services from:	Group		Company	
	2009	2008	2009	2008
Salaries and other short-term employee benefits	1 189	1 565	1 189	1 565

Management staff includes 5 persons (31 December 2008: 4).

During 2009 total compensation to the Board's members or institutions delegating them amounted to LTL 1,048 thousand (2008: LTL 480 thousand).

Receivables from related parties:	Group		Company	
	2009	2008	2009	2008
Subsidiaries	-	-	179	254
Companies controlled by the Ministry of Energy (including LEO LT, AB and its subsidiaries)	7 653	1 712	7 568	1 709
	7 653	**1 712**	**7 747**	**1 963**

Payables to related parties:	Group		Company	
	2009	2008	2009	2008
Subsidiaries	-	-	12 644	9 699
Companies controlled by the Ministry of Energy (including LEO LT, AB and its subsidiaries)	72 693	91 568	72 692	91 565
	72 693	**91 568**	**85 336**	**101 264**

Loans granted to subsidiaries:	Company	
	2009	2008
At beginning of period	2 000	3 000
Loans repaid over the year	(2 000)	(1 000)
Interest income	120	192
Interest received	(120)	(192)
At end of period	-	2 000

Companies controlled by the Ministry of Energy (including LEO LT, AB and its subsidiaries))

	Company
	2009
At beginning of period	-
Loans advanced during year	70 000
Interest income	192
Interest received	(192)
At end of period	**70 000**

The ageing analysis of amounts receivable from related parties as at 31 December 2009 is presented in the table below.

	Amounts receivable neither past due nor impaired	Amounts receivable past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
Company	7 663	66	13	-	-	-	7 742
Group	7 587	48	13	-	-	-	7 648

The ageing analysis of amounts receivable from related parties as at 31 December 2008 is as follows:

	Amounts receivable neither past due nor impaired	Amounts receivable past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
Company	1 851	112	-	-	-	-	1 963
Group	1 644	68	-	-	-	-	1 712

28. Reclassification of comparative amounts

When preparing financial statements for the year ended 31 December 2009 the Group and the Company reviewed the classification and general presentation of the balance sheet and statement of comprehensive statements items in the financial statements for the year ended 31 December 2008. As a result the following reclassifications were made:

Statement of financial position

The Group and the Company has reclassified LTL 3 906 thousand of payroll related liabilities from the 'Advances received and accrued liabilities' to trade and other payables. The management believes that such presentation reflects better substance of the transactions.

Statement of comprehensive income

Employee benefits comprise only employment-related benefits and taxes calculated on these benefits. Expenses to employees according to collective agreement for amount of LTL 5,293 thousand has been reclassified to other expenses in comparative figures of 2008. The management believes that such classification of financial statements items better reflects substance of the transactions.

29. Capital risk management

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 100,000 and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2009 and 31 December 2008, the Group and the Company complied with these requirements.

When financing its business activities, the Group and the Company follow an optimal capital structure management policy seeking to make sure that the equity ratio (equity to assets ratio) exceeds 40 %. For the purpose of capital management the Group's and the Company's management define capital as shareholders' equity.

	Goup		Company	
	2009	2008	2009	2008
Equity	2 277 311	2 422 639	2 276 558	2 417 176
Assets	3 094 039	3 405 000	3 092 562	3 395 294
Equity ratio (Equity/assets)	74 %	71 %	74 %	71 %

30. Events after the reporting period

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

On 6 January 2010, LEO LT, AB, which owns 351,316,161 shares of AB Rytų skirstomieji tinklai, made a public statement that a decision passed by the sole shareholder of LEO LT, AB (the Government of the Republic of Lithuania) on 30 December 2009 regarding the liquidation of LEO LT, AB came into force on 31 December 2009.

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

Consolidated annual report of the group of companies of Rytų Skirstomieji Tinklai AB for 2009

I GENERAL INFORMATION

Reporting period covered by the annual report

The consolidated annual report provides information on the activities of public limited company Rytų Skirstomieji Tinklai (hereinafter referred to as 'RST' or 'the Company') and the whole group of companies in the financial year 2009 for its shareholders, creditors and other stakeholders.

Regulation of the annual report

The consolidated annual report of RST has been prepared in accordance with Article 25 of the Law on Financial Statements of Entities of the Republic of Lithuania and Article 9 of the Law on Consolidated Accounts of Entities of the Republic of Lithuania.

Persons responsible for the information provided in the annual report

Job title	Forename and surname	Telephone No
General Manager	Arvydas Tarasevičius	(8 5) 251 26 59
Finance Department Director	Arvydas Zakalskis	(8 5) 251 26 52

Pagrindiniai duomenys apie emitentą

Name of the company	Akcinė bendrovė Rytų skirstomieji tinklai
Company Reg. No	1108 70890
Authorised capital	492 404 653 Lt
Paid-up authorised capital	492 404 653 Lt
Address	P. Lukšio g. 5B, LT-08221 Vilnius
Telephone	(8 5) 277 75 24
Fax	(8 5) 277 75 14
E-mail	info@rst.lt
Website	www.rst.lt
Legal and organisational form	Akcinė bendrovė, ribotos civilinės atsakomybės privatusis juridinis asmuo
Date and place of registration	2001 m. gruodžio 31 d. Lietuvos Respublikos ūkio ministerijoje
Register in which data on the company are collected and stored	Juridinių asmenų registras

Nature of the main activities of the Company

The main activities of RST include electricity distribution in low and medium voltage power networks as well as power supply (sale) to customers in the eastern part of Lithuania.
As a distribution network operator, RST is responsible for the maintenance and development of low and medium voltage electricity networks. As a public electricity supplier, it supplies electricity to residents and business customers in the territory serviced.
RST provides services to 762,900 customers in a 34,800 sq m area. There are 25 territorial customer service offices in Vilnius, Panevėžys, Alytus and Utena counties and part of Kaunas and Marijampolė counties.

RST mission is reliable, safe and efficient supply of electricity to customers.

RST vision is to become the best energy company in Lithuania in terms of the quality of services, modern technologies and attractive working conditions.

Information on the RST group of companies

RST and its subsidiaries Elektros Tinklo Paslaugos UAB, Rytra UAB and Tetas UAB (hereinafter referred to as 'subsidiaries') make up the group of companies of Rytų Skirstomieji Tinklai AB (hereinafter referred to as 'the RST Group').
The common principles of reliability, customer orientation, and pursuit of efficient and profitable activities are applied throughout the Group.

Main data on subsidiaries

	Elektros Tinklo Paslaugos UAB	Rytra UAB	Tetas UAB
Office	Motorų str. 2, Vilnius	Geologų str. 16, Vilnius	Senamiesčio str. 102B, Panevėžys
Date and place of registration	8 December 2004, Register of Legal Entities	8 December 2004, Register of Legal Entities	8 December 2005, Register of Legal Entities
Reg. No	3000 72351	3000 72305	3005 13148
Telephone	(8 5) 210 68 09	(8 5) 210 65 39	(8 45) 504 670
Fax	(8 5) 216 78 75	(8 5) 210 65 43	(8 45) 504 684
E-mail	etp@rst.lt	rytra.info@rst.lt	tetas@rst.lt
Website	www.etp.rst.lt	www.rytra.lt	-
Authorised capital, LTL	11,657,000	22,998,000	1,988,000
Type and class of shares held by the issuer	Ordinary registered shares	Ordinary registered shares	Ordinary registered shares
Number of shares	11,657,000	22,998,000	1,988,000
Nominal value of shares, LTL	1	1	1
Percentage of votes owned or controlled by the issuer at General Meetings of Shareholders of the companies	100	100	100
Operating income, LTL mln	58.0	19.7	12.8
Net profit, LTL mln	-0.097	-0.82	0.15
Assets, LTL mln	24.4	25.3	5.0

All the shares of subsidiaries are owned by RST.
The Company has no other directly or indirectly controlled interest.
The main objective of subsidiaries is to provide services to the Group, expanding the circle of external customers at the same time.

Nature of main activities of subsidiaries

Subsidiary	Nature of activities
Rytra UAB	The company provides transport rental services. It rents machinery for construction and special-purpose machinery, cargo vehicles and passenger cars.
Elektros Tinklo Paslaugos UAB	The company provides the services of technical maintenance, operation and repair of the electric network and equipment, performs low voltage power network construction works and connects electrical equipment of new customers to the distribution network.
Tetas UAB	The company provides specialised services of technical maintenance, repair, design and installation of transformer substations and distribution points as well as carries out testing.

Overview of activities

Key events in 2009

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

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

On 3 April 2009, the General Meeting of Shareholders of LEO LT, AB has elected the new Supervisory Council of LEO LT, AB. As the President of LEO LT, AB and the Chairman of the Supervisory Council was elected the Chairman of the National Control Commission for Prices and Energy Mr. Virgilijus Poderys. As members of the Supervisory Council which will represent interests of the State became Tomas Vaitkevičius (Vice-minister of the Ministry of Justice), Romas Švedas (Vice-minister of the Ministry of Energy), Rimantas Žylius (Vice-minister of the Ministry of Economy), Aloyzas Vitkauskas (Undersecretary of the Ministry of Finance), Šarūnas Adomavičius (Undersecretary of the Ministry of Foreign Affairs) and Kęstutis Škiudas (Adviser to the Prime Minister Andrius Kubilius).
Interests of NDX Energy, UAB in the Supervisory Council were represented by Ignas Staškevičius (Chairman of the Board of NDX Energy, UAB), Petras Jašinskas (Chief Financial Officer of NDX Energy, UAB), Marius Krisčiūnas (VP Group Lawyer) and Lina Karkliauskaitė (Chief Legal Officer of NDX Energy, UAB).

On 9 April 2009, the meeting of the Supervisory Board of LEO LT, AB has elected the new Management Board of the Company. As members of the new Management Board of the Company were elected following persons: Valdas Bancevičius, Ramūnas Bičiulaitis, Rokas Masiulis, Rimantas Vaitkus and Šarūnas Vasiliauskas.
On the same date a meeting of the Management Board of the Company was convened and The Management Board has elected Rimantas Vaitkus as a Chairman of the Management Board and the Chief Executive Officer of the Company.

On 22 April 2009, the Management Board of RST approved an application of General Manager Rimantas Vaitkus to recall him from General Manager's office from 24th of April, 2009, considering that Rimantas Vaitkus was elected to the positions of the Chairman of the Management Board and the Chief Executive Officer of LEO LT, AB.

On 24 April 2009, a meeting of the Supervisory Board of RST was convened and the Supervisory Board adopted the decision to recall the Management Board member of RST Rimantas Vaitkus from 24 April, 2009.

On 30 April 2009, the Extraordinary Meeting of the Supervisory Board of RST was convened and the Supervisory Board has elected Arvydas Tarasevičius to the Management Board of RST for the remaining term of the functioning Management Board. On the same date a meeting of the Board of RST was convened and the Management Board of RST adopted the decisions to elect Arvydas Tarasevičius as a chairman of the Management Board of RST and a General Manager of RST.

On 29 May 2009, the National Control Commission for Prices and Energy took a decision to announce the prices and tariffs of electricity for the second half of the year 2009 supplied by RST. The electricity price has decreased on average by 4 LTc/kWh (including VAT) since 1st of July, 2009. The electricity price for household consumers has decreased by 2 LTc/kWh (including VAT) and the electricity price for enterprises and institutions has decreased on the average by 4.2 LTc/kWh (excluding VAT). The price for electricity distribution has decreased on average by 1.43 LTc/kWh.

On 23 June 2009, the Extraordinary General Meeting of the Shareholders of RST has adopted the decisions to recall the current Supervisory Board of RST *in corpore* and to elect the following persons to the Supervisory Board of RST for the remaining term of the Supervisory Board that abandoned its duties (i.e. until the day of 2012 Ordinary General Meeting of the Shareholders of Rytu skirstomieji tinklai, AB): Tadas Adomaitis, Darius Kašauskas, Arūnas Markevičius, Mario Nullmeier, Vytautas Vazalinskas.

On 4 August 2009, in "Valstybės žinios" has been published the law on Nuclear Power Plant and related legal acts, regarding further activities of national investment company LEO LT, AB.

On 20 August 2009, in "Valstybės žinios" has been published Lithuanian Government decree, authorizing the Ministry of Energy vote for the liquidation of LEO LT, AB at the General Meeting of Shareholders of LEO LT, AB.

On 4 September 2009, the Extraordinary General Meeting of the Shareholders of LEO LT, AB adopted the decisions for liquidation of the national investment company LEO LT, AB and adopted decisions for liquidation process.

On 20 October 2009, the Meeting of the Supervisory Board of RST was convened and the decisions were taken to revoke the present Board of the Company *in corpore* and to elect the following persons to the Board of the Company for the remaining term of the Board that abandoned its duties: Mr. Henrikas Bernatavičius, Mr. Arvydas Tarasevičius and Mr. Aloyzas Koryzna. There was adopted decision not to elect the fourth member of the Board of the Company.

On 23 October 2009, the Extraordinary General Meeting of Shareholders of RST has adopted the decisions to dissolute the Supervisory Board of RST collegial supervisory body - Supervisory Board - and to recall its member, and to elect the following persons to the Board of RST: Mr. Vytautas Vazalinskas and Mr. Mario Nullmeier. Considering the changes in RST management, the meeting has also adopted the decision to amend the Articles of Association of RST and approve the new wording of it. This wording of Articles of Association became effective on 29 October 2009 after the registry thereof in the Register of Legal Entities.

On 26 November 2009, the National Control Commission for Prices and Energy decided to announce the electricity and transmission service prices supplied by RST for the year 2010. There was announced as of 1st of January 2010, the electricity price for household consumers will increase approximately by 9 LTC/kWh (without VAT) for industrial and commercial customers - approximately by 7 LTC/kWh (without VAT).

On 4 December 2009, RST, in accordance with the decision of the Management Board of the Company, has granted a loan to LEO LT, AB in amount of LTL 70 million (seventy million).

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

The Company’s strategy and objectives

In 2009, RST focused on ensuring the quality of customer services, power network reliability and the effectiveness of activities. The Company’s strategic objectives included boosting of customer satisfaction, improvement of network reliability and quality, creation of a motivating working environment, preparation for market liberalisation, introduction of innovations and ensuring of efficient activities. By flexibly responding to market changes in the context of the economic downturn, taking on part of the financial burden borne by electricity customers, and actively implementing social projects, RST has proven that it can be treated as a socially responsible company.

Development and expansion of activities

The network and electricity supply

The results of a survey carried out by public opinion and market research centre Vilmorus at the start of 2009 have shown that as many as 91.1% of Lithuania's residents have a very good opinion about the quality of electricity supply. RST investments in the development and modernisation of the power network have contributed to the formation of such a good opinion of Lithuanian residents.
Power network development and modernisation investment projects implemented by RST are closely related to the development of the Company’s activities and service quality. By implementing these projects, the Company not only boosts power network reliability and ensures uninterrupted electricity supply but also increases the number of electricity customers in Eastern Lithuania.

Connection of electrical facilities of new customers accounted for the bulk of RST investments in 2009 (33%). One of the main reason determining the need for other RST investments is depreciation of substations. Given growing needs of present and new electricity customers and an increase in the number of customers, it is also necessary to build more powerful substations technically meeting European standards. Investments in the development and modernisation of the power network provide both economic and social benefits for society. In addition, adverse environmental effects are reduced as well.

In the wake of a halt in real estate market development as a result of economic stagnation, a number of construction or repair service providers have come under the threat of bankruptcy. By investing in the quality of the power network, RST guaranteed a considerable volume of work and stable incomes for successful tenderers in public procurement procedures and companies implementing investment projects (contractors). Owing to RST activities, contractor organisations were able to retain jobs and salaries for their staffs. In addition, this contributed to taxes collected by the state.

In 2009, RST investments in the power network and its modernisation (including inventory acquisition) amounted to LTL 149.5 million, down by 42% from 2008 when the Company’s investments made up LTL 257.1 million. A fall in construction prices in the market and effective procurement conducted by RST last year facilitated implementation of planned investment projects without reducing the number and scope of these projects as well as retaining high quality standards. In 2009, RST investments were also influenced by general economic tendencies. There was a significant decrease in the number of new custumers willing to connect their objects to the power network. In 2009, RST connected over 11,000 new customers’ electrical equipment with a total permitted capacity of over 160 MW.

RST investments in non-current assets in 2009, LTL mln

Type of investment	2008	2009	Change	Investment structure in 2008	Investment structure in 2009
	LTL mln			precent	
Connection of electrical facilities of new customers	140.7	49.4	-91.3	54.7	33.0
0.4-10 kV power networks	37.9	33.4	-4.5	14.7	22.3
Transformer substations and distribution points	49.3	40.9	-8.4	19.2	27.4
Other investments	29.2	25.8	-3.3	11.4	17.3
Total	**257.1**	**149.5**	**-107.6**	**100**	**100**

In 2009, RST completed reconstruction of four transformer substations (110/10 kV Verkiai transformer substation, 110/10 kV Baltupis transformer substation, 110/10 kV Lentvaris transformer substation and 110/35/10 kV Molėtai transformer substation), modernised four distribution points (10 kV SP-6 in Vilnius, 10 kV SP-13 in Vilnius, 10 kV SP-381 in Panevėžys and 10 kV SP-1 in Pasvalys). Two new distribution points (10 kV SP-210 in Vilnius and 10 kV SP-482 in Panevėžys) were built and four management system development investment projects were completed in 2009.

Underground cables have been laid during several years of consistent renovation of overhead power lines and network development based on the RST long-term power network development strategy. In 2009, the Company implemented some 200 projects related to the laying of cable lines. In 2009, the total length of cable lines in the Company's network was increased by some 533 kilometres. The key objectives the Company seeks to achieve by laying underground cables include ensuring of high-quality electricity supply and safety of residents as well as achievement of network operation efficiency. Overhead lines are often damaged and electricity supply to customers is interrupted by natural disasters. This may pose a threat to residents' safety. Such inconveniences and threats can be avoided by using underground cables instead of overhead lines.

Quality of electricity supply (SAIDI, SAIFI)

In 2009, the system average interruption duration index (SAIDI) per customer made up 182.6 min. Compared to 2008, there was the highest increase in the number of interruptions in power transmission caused by force majeure. **T**he system average interruption frequency index (SAIFI) per customer made up 1.59 times. The increase in these indexes was determined by a strong effect of natural disasters in July, October and December 2009. Excluding the effect of natural disasters, the system average interruption duration index (SAIDI) per customer in 2009 made up 82.45 and was lower than in 2008. Excluding the effect of natural phenomena, in 2008 SAIDI made up 93.5 min. The system average interruption frequency index (SAIFI) per customer excluding the effect of natural phenomena was lower in 2009 compared to 2008. In 2009, SAIFI stood at 1.01 times. In 2008, it made up 1.14 times.

Purchase of networks of gardening societies

In 2009, RST bought power networks of 31 groups of gardening societies (a total of 37 society networks) for over LTL 404,600. Every year RST buys power networks of an average of some 30 groups of gardening societies. Over a period of five years, the Company has already connected 166 gardening societies' networks to the power network operated by the Company for more than LTL 3.3 million. The sale of power networks is determined by the growing needs of members of gardening societies, who are no longer satisfied with the technical condition of their own networks and present conditions of payment for electricity supply services. Assuming responsibility for the operation of these networks, RST has to invest in their maintenance and renovation. Being the operator of the power networks of gardening societies, RST can use electrical equipment more rationally to satisfy the needs of both the societies and surrounding customers.

Electrification of homesteads

In 2009, RST presented the Ministry of Energy of the Republic of Lithuania with 50 applications for financing for projects for connecting remote homesteads to power networks. The submitted applications included homesteads selected by municipalities in Eastern Lithuania based on the criteria for villages and homesteads that must be electrified. Homestead electrification design works were financed from National Energy Strategy Implementation Programme funds. RST plans to implement the projects for non-electrified Lithuanian homesteads in 2010 after receiving ES Structural Fund assistance.

Public procurement

In 2009, the RST Procurement Department prepared and implemented new procurement procedures ensuring the transparency and fairness of procurement conducted by RST and supplier competition. In an effort to achieve these objectives, the work of the RST Public Procurement Commission has been reorganised substantially, the conditions of the invitation to tender have been improved and unified, and time limits for carrying out procurement procedures have been established. In most procurement procedures, prices were fixed by way of negotiations in order to ensure the most favourable prices and save the Company's and customers' money. In 2009, RST successfully conducted procurement procedures using the Central Public Procurement Information System (CPPIS). After the Law on Public Procurement was amended, RST had to carry out at least 50% of procurement procedures (according to their value) via the CPPIS from September 2009 to the end of the year. In 2009, this figure was exceeded. A total of 1,757 procurement contracts worth LTL 131 million (net of VAT) were concluded in 2009. LTL 140 million (net of VAT) of the preliminary value of procurement was saved.

Safety and prevention

Seeking to ensure physical and technical safety of the Company's assets, the RST Safety and Prevention Department (SPD) was active in 2009. It managed to reduce the number of thefts and the Company's losses. Compared to 2008, losses incurred due to thefts in the Company's power network decreased by 62%. The number of thefts of non-ferrous metals from the Company's objects went down by 63% and losses incurred due to them shrank by 78%. The benefit of implemented preventive measures is also reflected by a decrease in losses incurred as a result of oil thefts from transformer substations. Although the number of registered thefts increased by 19 % in 2009, losses were reduced by 7% compared to 2008. Losses incurred due to oil thefts in 2009 were the lowest in the past five years.

A total of 1,561 inspection reports on electricity consumption sites were drawn up in the Company's territory in 2009, up by 10.4% from 2008. Customer payments based on unmetered electricity usage reports exceeded LTL 2 million.

In October 2009, the SPD actively participated in the Company's campaign entitled "Do not tolerate!" promoting fair electricity usage. According to RST estimates, the Company would have incurred losses of over LTL 80 million if cases of illegal electricity usage had not been established during the campaign.
Good results in 2009 were determined by preventive measures planned by the SPD and implemented in association with other RST units, cooperation with police, representation of the Company's interests in pre-trial investigation institutions, prosecutor's offices and courts.

Personnel

Salary

In 2009, RST effected a number of significant organisational changes. The Company gave more attention to the application of modern human resources management practices, including improvement of an employee remuneration programme. Helped by Hay Group consultants, RST prepared and introduced an effective salary system in 2009. This system facilitates effective management of the Company's costs and ensures that the Company's strategic objectives and business management logic are reflected in the salary system. The new salary system helps managers to effectively communicate the Company's expectations to employees, taking account of both targets and means of achieving them. The use of this system ensures an adequate level of competitiveness of staff salaries in the context of the salary market.

Since 2009, the total salary of an RST employee consists of the base salary, variable salary and additional benefits. Each of these components performs a different function and reflects management principles in recruiting, keeping and motivating people.

Management of staff activities

In 2009, RST created and introduced an employee activity management system aimed at ensuring that: the personal objectives of employees are established in view of the Company's annual objectives; a manager and employees subordinate to him/her reach agreement on the personal objectives of each of them, which should be measurable, specific, time-defined, achievable and motivating; an employee receives feedback on his/her work results from his/her immediate superior and is able to discuss his/her prospects; staff management systems (staff incentives, career planning, staff training) and the Company's management measures are based on objective information. The main employee activity management tool is an annual interview. It facilitates annual discussion and evaluation of achievement of last year's personal objectives of employees, enables managers and employees reach agreement on individual objectives for a coming period, form feedback culture between managers and subordinates, and discuss employees' competences that should be developed as well as his/her career and training opportunities.

Internal training

An internal training system consisting of periodically organised staff training on eight topics has been created in the Company. Such training has been prepared and is conducted by trained employees of the Company. Training programmes are designed to form and educate an orientated customer, a legally-educated team of RST employees, maintain necessary competences of employees, and integrate new employees in the Company.

Recruitment of new employees

In 2009, RST introduced a system of admission of new employees to the organisation regulating appropriate preparation of the Company for the admission of new employees to the organisation, formulation and evaluation of goals for the period of probation, retention of strong motivation to work for the organisation, and training intended for new employees.

Customer services

Development of customer service channels

One of the key tasks of the RST customer service strategy is development of customer service channels.
In 2009, the working hours of customer service offices were adjusted to meet customers' needs. Renovation of Rokiškis, Kupiškis and Molėtai customer service offices according to modern requirements for customer services was completed. Computerised self-service facilities for customers have been installed at all customer service offices of the Company.

In 2009, RST upgraded its customer inquiry management information system ensuring united management of inquiries received via various customer service channels. Compared to 2008, the number of electronic inquiries in the Company increased 2.6-fold. Despite a considerable increase in the number of electronic inquiries, as many as 89% of customers who approached RST received replies within 24 hours and the rest of them received replies within 48 hours.

Changes effected on the self-service website My Electricity and active promotion of use of this service channel has determined a 2-fold increase in the number of self-service website visitors among business customers and a 2.5-fold increase in the number of website visitors among private customers over a year.

In 2009, there was a significant increase in the number of RST customers who called the contact centre at 1802. The total number of phone calls to the contact centre increased by 105% over a year. In February, the contact centre took over control of phone calls to operators. Mass peak hour management was introduced at the contact centre in

November. This enabled the contact centre to control large numbers of customer phone calls in the wake of termination of electricity supply caused by natural disasters.

Quality of customer services

In 2009, one of the main objectives of RST activities was improvement of customer services. In order to achieve this objective, customer service quality (secret buyer) studies were carried out. Ninety percent annual results achieved during studies in the fourth quarter show a high quality of customer services. Customer service competences of the Company's specialists working with customers were developed, emphasising the importance of studying customer needs. Changed internal procedures and processes of the Company and new services introduced determined an improvement in the results. By the end of the year, the number of customer complaints decreased 3-fold (in March – June 2009, the number of complaints averaged 30 per month and dropped to 10 in September – December).

Higher requirements for the quality of conversations with customers came into force in October 2009 after signing a new contact centre service agreement, with particular attention given to consultant training.

In 2009, RST started introducing a new customer service standard. The Company published a book intended for the Company's staff, entitled My Customer Service Book, which was presented and discussed during joint meetings of managers and other employees at all events of the Company. My Customer Service Book tells about communication with colleagues and customers as well as provides examples of various situations, offers advice, and specifies requirements for workplaces and environment. The introduction of the customer service standard was performed by training almost 500 employees to provide high-quality customer services. All employees got involved in discussions on My Customer Service Book with managers, completed feedback forms, and each department set goals for the next year.

In December 2009, RST initiated a customer satisfaction study according to the TRI*M methodology, which shows customer satisfaction expressed as the TRI*M index. This study was aimed at evaluating customer satisfaction and calculating an index reflecting it, which would be used to establish targets for the next year. 2009 TRI*M indexes were compared with companies providing similar services in Europe and other countries of the world. According to the results of the study, there is no significant difference between RST business and private customer satisfaction TRI*M indexes: 50 for business customers and 49 for private customers. This RST customer satisfaction score is only 7–8 points lower than the TRI*M index of European electricity suppliers (57) and 1–2 points lower than that of European utility service providers (51).

Service development

One of the main achievements in 2009 was the development of the services of reporting of electricity meter readings on the self-service website by business customers. At the end of the year, these services were used by 76% of business customers. The reporting of electricity meter readings has enabled the Company to offer business customers new services, namely electronic bills.
RST offered these services to its customers in the fourth quarter of 2009. By the end of the year, 23% of business customers abandoned paper bills and ordered electronic bills. These services enable customers to reduce archiving costs, pay for electricity used quickly and conveniently, as well as contribute to RST initiatives to preserve natural resources and create traditions of modern and convenient communication with customers.

Debt management

In 2009, RST customers' debts were managed consistently and effectively. In the first months of 2009, customer debts to RST grew 6% (to LTL 35 million). However, in spite of the economic downturn, the Company managed to stop further growth of debts. Financial difficulties encountered by RST customers financed by municipal or state budgets determined debt growth, but the amount of citizen debts remained unchanged.
In the middle of 2009, RST signed an agreement with debt recovery company Skolų Valdymo Centras UAB. The professional partners help to manage small debts of residents, enabling the Company to recover debts prior to applying to court or termination of electricity supply. Some 38% of LTL 1.2 million debts placed for recovery was recovered over six months of cooperation. Since September 2009, notifications for indebted customers have been sent in a centralised manner, using Itella Information UAB services. The more efficient and cheaper process of sending letters reduced RST letter sending costs and consequently helped to improve the accessibility of indebted customers and increase the number of notices sent to them by 34%.
All these changes facilitated a three-fold decrease in the number of household customers who had electricity supply terminated due to debts at the end of 2009 compared with the start of 2009, with the number of respective business customers reduced four-fold.
In October 2009, RST launched a new customer rating project aimed at centralised debt prevention. The main objectives of this project are effective management of losses and debts as well as timely provision of information to customers on their debts before they become too big.

Electricity trade

In June 2009, the Ministry of Energy of the Republic of Lithuania approved a Lithuanian Electricity Market Development Plan providing for additional opportunities for Lithuanian electricity customers to ensure electricity supply from electricity suppliers chosen by them at transparent, easily and clearly comparable prices, using free electricity market mechanisms. At the end of 2009, legal acts speeding up liberalisation of the electricity market were adopted in Lithuania. The Company prepared for a rapid change in the number of customers choosing independent suppliers, provision of necessary information to market participants and hourly trade in electricity. At the end of 2010, the provision of electricity transmission services to customers who have chosen independent suppliers is planned to account for some 35% of electricity distributed via the Company's power network.

Social projects and initiatives

Corporate social responsibility campaign It's All About Electricity

Considering the tendencies emerging in electricity consumption, in April 2009, RST initiated an information campaign entitled Everything About Electricity. One of the most popular news portals (www.delfi.lt) provided information for residents on electrical energy and safe and rational use of electricity at home. The Company's experts offered advice. Families that wanted to be awarded the title of an expert at safe use of electricity participated in a competition in which they shared their experience and offered each other advice as to how to teach all family members to use domestic and electrical appliances safely, how to avoid dangers posed by electricity outside. This project involved a family from Vilnius that created a blog on rational use of electricity at home and everyday situations related to electricity. Using the family's examples of saving and expert advice provided by RST, residents were encouraged to use electricity more rationally and thus save their money.

Corporate social responsibility campaign Do not Tolerate

In October 2009, RST conducted a campaign entitled Do not Tolerate aimed at promoting fair use of electricity. The campaign involved 233 residents of Eastern Lithuania. A total of 39 residents' confessions of illegal use of electricity in their residential buildings were recorded in October; 88 residents approached the Company asking to check whether noticed damage done to electricity meters did not affect the readings of electricity meters. Other reports were related to residents' suspicions regarding illegal use of electricity by other persons.
Based on residents' reports about illegal use of electricity by other persons received during the campaign, RST established 16 cases of illegal use of electricity. Seven of them were related to illegal use of electricity by connecting wires to the street lighting network, electricity supplied for the common needs of blocks of flats or an internal power network installed in individual persons' objects. In conducting the campaign Do Not Tolerate, RST cooperated with the State Energy Inspectorate (SEI) and police.

Corporate social responsibility campaign Use Only You Need

According to RST statistical data and studies, a considerable part of residents do not save electricity. During a public opinion survey carried out by RAIT at the start of this year, every third respondent said he/she was wasting electricity.
In December 2009, RST and its partners, Civic Responsibility Foundation, launched a long-term social initiative entitled As Much as Needed. The initiative is aimed at encouraging residents to use electricity rationally and involving communities and non-governmental organisations in the development and implementation of electricity saving projects.
The As Much as Needed initiative helps to create and strengthen responsible electricity use traditions. During the initiative, people were urged to pay attention to ill habits of electricity use and change them. Another important point of this initiative was a competition of small electricity saving projects for communities and non-governmental organisations. The competition was managed by Civil Responsibility Foundation. As Much as Needed is a long-term social initiative which is continued in 2010.

Educational project for teenagers ElektroMagija

In 2009, RST launched a safe electricity use promotion initiative and presented a new project for senior pupils entitled ElectroMagic. Since juveniles are injured due to irresponsible use of electricity or electrical equipment every year, RST took the initiative to implement a long-term educational project. This project is aimed at informing children about electrical power and dangers posed by it. Virtual characters told young people about electricity on the Internet (www.elektromagija.lt), while 5–8-form students had an opportunity to hear about it live: in addition to the project, there were competitions with the main prize of an entertaining educational lesson about electricity. RST ElectroMagic projects involved some 500 schools, with the website visited by over 70,000 readers.

Environmental protection

In its activities, RST follows harmonious development and pollution prevention principles, based on which harmful substances in old utility networks are regularly replaced with safer ones and equipment for collecting insulating oil of transformer substations is installed.

When reconstructing transformer substations, old and worn-out power transformers are replaced with more silent ones. This considerably reduces the level of noise. It is tried to save landscape and cultural heritage when installing equipment.

RST has taken care of stork nests for a number of years by installing special platforms on overhead line poles. Last year, RST placed over 250 new stork nests in Alytus, Panevėžys, Utena and Vilnius regions. The placement of stork nests in these regions last year cost the Company approximately LTL 350,000.

In 2009, RST signed a partnership agreement with the Lithuanian Ornithological Society on the protection of white stork nests in Eastern Lithuania. According to this agreement, RST undertakes to implement one of the white stork protection project activities, namely to place up to 1,100 artificial stork nests on overhead line poles in the territory of the Company's network, by the end of 2012. Half of funds required for the placement of platforms will be allocated within the framework of the European Union's environmental programme LIFE+, with the remaining share of funds required for the planned activities (some LTL 1.5 million) to be allocated by RST.

Support

RST not only seeks to achieve the abovementioned performance quality standards but also pays attention to social and civic initiatives and projects of communities, non-governmental organisations, and education, science and culture representatives. At the start of 2009, the RST Board approved a single support programme setting out the main areas to be supported. According to the programme, the Company allocates support for social and education projects with direct or indirect relation to RST activities and promotes scientific discoveries as well as economic stability of the country. RST supports beneficiaries' objectives beneficial to society: projects for the promotion of effective energy use, customers consciousness and public spirit development, social security, environmental protection and a healthy lifestyle.

In cooperation with association Langas į Ateitį (Window to the Future), in 2009 RST presented 29 used computers to Lithuanian disabled departments, thus contributing to the creation of meaningfulness and comfort of public life. The computers presented by RST provided disabled people with more opportunities to study the world and new scientific discoveries. The Company presented more than 60 used computers to remote public Internet access points (PIAP's) in East Lithuanian districts. Since March 2009, 40 PIAP's have been able to use additional computer equipment. RST conducted this campaign in cooperation with association Viešieji Interneto Prieigos Taškai (Public Internet Access Points).

In the summer of 2009, the Lithuanian Artists' Society organised the twelfth international plenair exhibition Soutine Days. In an effort to contribute to the implementation of this project, RST provided participants in the plenair exhibition with the Company's premises in the Minčia watermill in the Utena district free of charge. Soutine Days plenair exhibitions have already been organised in the RST Minčia watermill before. Supplying electricity that brings light and warmth to our homes, RST seeks to contribute to the creation of spiritual light and warmth radiated by works by participants in Soutine Days. RST plans to present works by participants in the plenair exhibition to the Company's employees and customers coming to regional customer service offices.

In August 2009, RST allocated support for an event organised by the Lithuanian Orienteering Federation, namely a symbolic running race entitled "The heart beats for the Baltic Sea" dedicated to the 20th anniversary of the Baltic Way. Estonian, Latvian and Lithuanian citizens participated in this project.

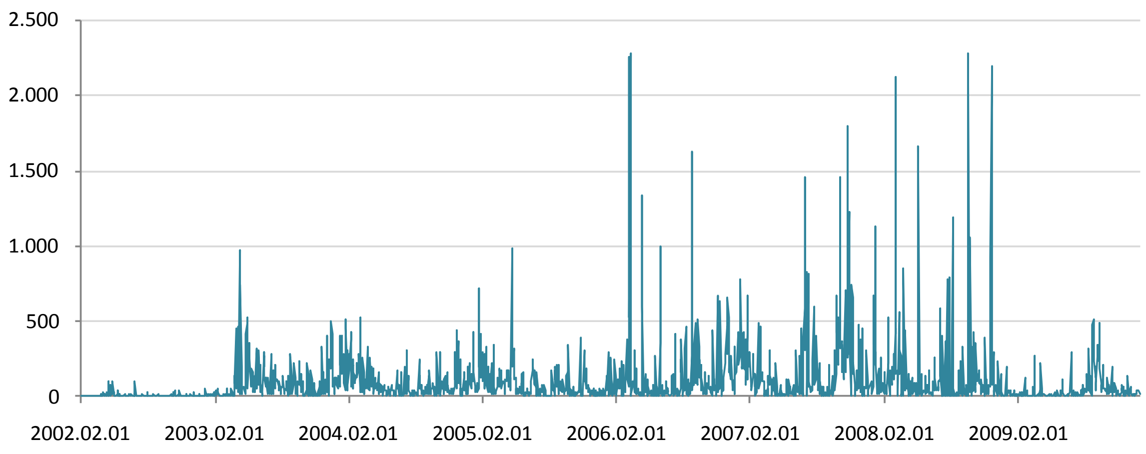
In cooperation with charity and support fund Food Bank in 2009, RST donated foodstuffs to 520 poor families of Eastern Lithuania. In December, just before Christmas, the most necessary foodstuffs for families that had lost jobs in past six months and had no means of subsistence were presented at RST customer service offices. Food Bank selected families that needed support from 23 East Lithuanian cities, which received support at RST customer service offices. The bulk of foodstuffs were delivered to needy families by RST employees and social workers. By allocating this support, the Company showed solidarity with poor people in particular need

II. INFORMATION ON THE ISSUER'S SECURITIES, THE AUTHORISED CAPITAL AND MEMBERS OF MANAGEMENT BODIES

Information on the issuer's securities

RST shares were included in the Secondary List of NASDAQ OMX Vilnius on 1 February 2002.
On 2 May 2007, the Company's shares were included in the Main List of NASDAQ OMX Vilnius.
RST shares are not traded in other regulated markets.
The securities of the Company's subsidiaries are not traded publicly as they are private limited companies and all of their shares are owned by RST.
The Company has no own shares. Subsidiaries have no own shares or shares of the Company.
The authorised capital of RST has not changed since the establishment of the Company (1 January 2002). It is comprised of 492,404,653 ordinary registered shares with a nominal value of LTL 1.
All the shares of the Company are registered for public trading.
ISIN code of securities – LT0000126385.
Abbreviation of securities – RST1L.

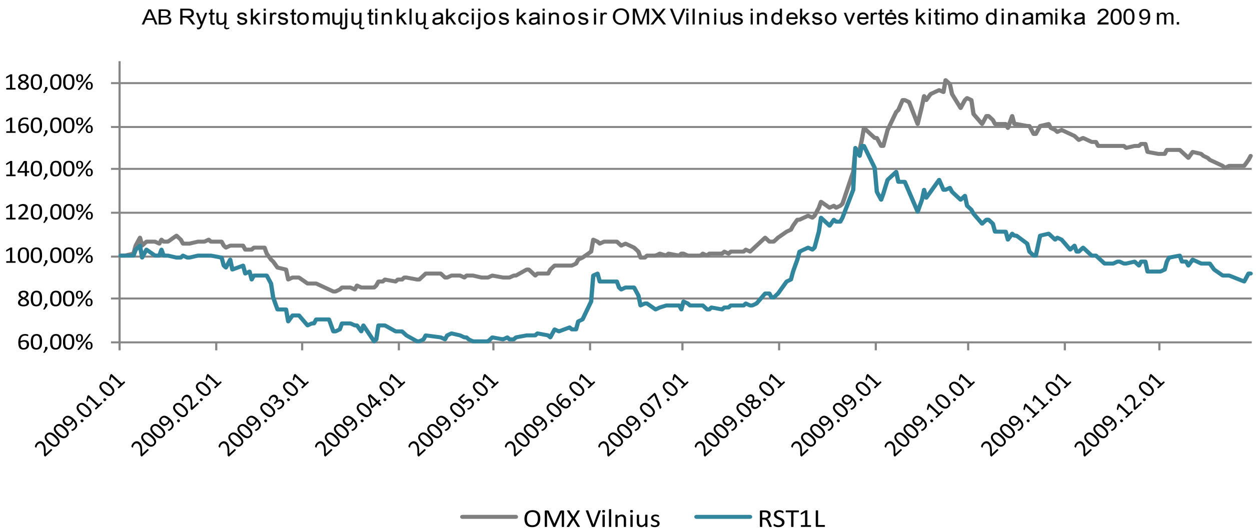
AB Rytų skirstomųjų tinklų akcijų apyvarta nuo prekybos pradžios, tūkst. Lt



Since the start of trading in RST shares on the stock exchange, the share price increased 5.1 fold, from LTL 0.36 (1 February 2002) to LTL 1.83 (31 December 2009). The highest share price ever (LTL 5.80) was recorded on 25 October 2007, while the highest share price in 2009 (LTL 3.14) was recorded on 26 August.

AB Rytų Skirstomųjų Tinklų akcijų kainos dinamika nuo prekybos pradžios, Lt

In 2009 RST share price swings at the end of the year brought back the share price to the level where it was at the beginning of the year – LTL1.83 (31 December 2009) and LTL1.90 (31 December 2008).
The highest and the lowest share price recorded over the year were LTL 3.14 and LTL 1.15, respectively.



RST shares are included in the OMX Vilnius index and the OMX Baltic Benchmark index. The OMX Baltic Benchmark index consists of a portfolio of the largest and most traded shares on the OMX's Baltic Market and is widely diversified among the economic sectors. The Company represents the public utilities sector.

Information related to shares and dividends

	RST Group				
	2009	**2008.**	**2007**	**2006**	**2005**
Number of shares	492,404,653	492,404,653	492,404,653	492,404,653	492,404,653
Net profit per share (LTL)	(0.08)	(0.17)	0.15	0.05	0.04
Highest share price (LTL)	3.14	5.13	5.80	3.86	3.66
Lowest share price (LTL)	1.15	1.85	3.20	2.17	2.47
Average share price (LTL)	1.82	3.61	4.23	2.71	3.06
Last share price (LTL)	1.83	1.99	4.60	3.75	2.81
Share turnover (LTL mln)	11.90	37.48	45.55	36.80	20.69
Capitalisation (LTL mln)	901.10	979.89	2,265.06	1,846.52	1,383.66
Dividends per share paid (LTL)	n/d	-	-	0.07	0.07
PE ratio	(22.88)	(11.7)	30.67	75.00	70.25
Dividends/net profit	n/d	-	-	1.54	1.84
Total dividends (LTL mln)	n/d	-	-	34.468	34.468

Information on agreements with intermediaries of public trading in securities

RST concluded an issuer services agreement with a consortium comprised of SEB Bank AB (company reg. No 112021238, Gedimino pr. 12, Vilnius) and law firm SORAINEN and partners (company reg. No 9400025, Jogailos g. 4, Vilnius), represented by the Financial Markets Department of SEB Bank AB. Under the agreement, the consortium undertakes to manage the Company's securities accounts, provide dividend payment services and represent the Company in the Lithuanian securities market.

Restrictions on the transfer of securities

No restrictions are imposed on the transfer of RST securities.

Authorised capital structure

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Percentage of authorised capital
Ordinary registered shares	492,404,653	1	492,404,653	100.00

Rights and obligations granted by the shares

All ordinary registered shares grant the same rights. Share owners are granted the right to participate in the management of the Company, unless otherwise provided by law, the right to receive dividends, the right to a portion of the Company's assets remaining after its liquidation, and other rights provided by law.

Shareholders

On 31 December 2009, the number of RST shareholders totalled 6,611.
At the time of the last General Meeting of Shareholders on 24 December 2009, there were 6,622 shareholders.

Shareholders who owned more than 5 percent of the issuer's authorised capital as at 31 December 2009

Forename and surname of shareholder (company name, legal form, registered office, reg. No)	Number of ordinary registered shares owned by shareholder	Percentage of authorised capital held	Percentage of votes carried by shares owned
LEO LT, AB, Žvejų g. 14, LT-09310 Vilnius, Company reg. No 301732248	351,316,161	71.35	71.35
E.ON Ruhrgas International AG, Huttropstrasse 60, Essen, Germany HRB No 10974	99,845,392	20.28	20.28

Shareholders having special rights of control and descriptions of their rights

None of the RST shareholders has any special rights of control. All the RST shareholders have the same (property and non-property) rights provided by the Law on Companies of the Republic of Lithuania and the RST Articles of Association.

Restrictions on voting rights

There are no restrictions on voting rights at the Group.

Mutual agreements among shareholders the issuer is aware of, which may be a reason for restricting the transfer of securities and/or voting rights

RST does not know any mutual agreements among shareholders which could be a reason for restricting the transfer of securities and/or voting rights.

Procedure for amending the Articles of Association

The General Meeting of Shareholders has the right to amend the Articles of Association of RST and its subsidiaries.

Management bodies

RST management bodies include the General Meeting of Shareholders, the Board and the head of RST.
The management bodies of subsidiaries are the General Meeting of Shareholders, the Board and heads of the companies.

Supervisory Board

The Supervisory Board of RST was dissoluted by the decision of the Extraordinary General Meeting of Shareholders on 23 October 2009. Until this decision the Articles of Association of RST stated that the Supervisory Board of RST is comprised of 5 members, is elected (and dismissed) by the General Meeting of Shareholders, and is elected for a period of four years.

Board

Until 23 October 2009 members of the RST Board were elected (and dismissed) by the Supervisory Board for a period of 4 years. After the Extraordinary General Meeting of Shareholders of RST has adopted the decision to dissolute the Supervisory Board of RST collegial supervisory body - Supervisory Board – the members of the RST Board are elected (and dismissed) by the General Meeting of Shareholders. The RST Board is comprised of 5 members.
On 20 October 2009, the Supervisory Board of RST has elected new RST Board (three members). On 23 October 2009 the General Meeting of Shareholders has elected other two members of RST Board.
Members of the Boards of subsidiaries are elected (and dismissed) by the General Meeting of Shareholders for a period of 4 years.

Head

The head of RST -- the General Manager -- is appointed and dismissed by the RST Board. Since 30 April 2009, the Company has been headed by Arvydas Tarasevičius.

The powers of management bodies of RST and its subsidiaries and the procedure for appointing and dismissing them are specified in the Articles of Association of RST and its subsidiaries.

Members of management and supervisory bodies and their share in the authorised capital of the issuer

Until 30 04 2009

Name, surname	Office	Share in authorized capital held (%)	Number of votes (%)
Supervisory Board (elected at the extraordinary General Meeting of Shareholders on 08 07 2008)			
Andrius Šimkus*	Chairman	-	-
Mario Nullmeier	Member	-	-
Vidmantas Grušas	Member	-	-
Darius Kašauskas	Member	-	-
Algimantas Zaremba	Member	-	-
Board (elected at the Supervisory Board's meeting on 04 12 2008)			
Rimantas Vaitkus	Chairman	-	-
Vytenis Kudinskas	Member	-	-
Laimutė Milašauskienė	Member	-	-
Virgilijus Žukauskas	Member	0.000002	0.000002
Head of the Company (elected at the Board meeting on 04 12 2008), Chief Financier			
Rimantas Vaitkus	General Manager	-	-
Veslava Juchevič**	Head of the Accounting Department	-	-

* On 19 February 2009, Andrius Šimkus resigned as member of the RST Supervisory Board.
**Veslava Juchevič engaged the position on 5 January 2009.

Since 30 04 2009 until 23 06 2009

Name, surname	Office	Share in authorized capital held (%)	Number of votes (%)
Supervisory Board (elected at the extraordinary General Meeting of Shareholders on 08 07 2008)			
Mario Nullmeier	Member	-	-
Vidmantas Grušas	Member	-	-
Darius Kašauskas	Member	-	-
Algimantas Zaremba	Member	-	-
Board (elected at the Supervisory Board's meeting on 04 12 2008)			
Arvydas Tarasevičius*	Chairman	-	-
Vytenis Kudinskas	Member	-	-
Laimutė Milašauskienė	Member	-	-
Virgilijus Žukauskas	Member	0.000002	0.000002
Head of the Company (elected at the Board meeting on 30 04 2009), Chief Financier			
Arvydas Tarasevičius**	General Manager	-	-
Veslava Juchevič	Head of the Accounting Department	-	-

* On 30 April 2009 the Supervisory Board has elected Arvydas Tarasevičius as a member of the Board, on 30 April 2009 the Board has elected Arvydas Tarasevičius as the Chairman of the Board.
** On 30 April 2009 the Board has elected Arvydas Tarasevičius as a General Manager.

Since 23 06 2009 until 23 10 2009*

Name, surname	Office	Share in authorized capital held (%)	Number of votes (%)
Supervisory Board (elected at the extraordinary General Meeting of Shareholders on 23 06 2009)			
Vytautas Vazalinskas**	Chairman	-	-
Mario Nullmeier	Member	-	-
Darius Kašauskas	Member	-	-
Tadas Adomaitis	Member	-	-
Arūnas Markevičius	Member	-	-
Board (elected at the Supervisory Board's meeting on 04 12 2008)			
Arvydas Tarasevičius	Chairman	-	-
Vytenis Kudinskas	Member	-	-
Laimutė Milašauskienė	Member	-	-
Virgilijus Žukauskas	Member	0.000002	0.000002
Head of the Company (elected at the Board meeting on 30 04 2009), Chief Financier			
Arvydas Tarasevičius	General Manager	-	-
Veslava Juchevič	Head of the Accounting Department	-	-

* On 23 October 2009 the General Meeting of Shareholders of RST has adopted a decision to dissolute the collegial supervisory body of Rytų skirstomieji tinklai, AB - Supervisory Board.
**On 19 August 2009 the Supervisory Board has elected Vytautas Vazalinskas as the Chairman of Supervisory Board.

Since 20 10 2009*

Name, surname	Office	Share in authorized capital held (%)	Number of votes (%)
Board (elected at the Supervisory Board's meeting on 20 10 2009)			
Henrikas Bernatavičius*	Chairman	-	-
Vytautas Vazalinskas**	Member	-	-
Mario Nullmeier**	Member	-	-
Aloyzas Koryzna	Member	-	-
Arvydas Tarasevičius	Member	-	-
Head of the Company (elected at the Board meeting on 30 04 2009), Chief Financier			
Arvydas Tarasevičius	General Manager	-	-
Veslava Juchevič	Head of the Accounting Department	-	-

* On 19 November 2009 the Board has elected Henrikas Bernatavičius as the Chairman of Board.
** Vytautas Vazalinskas and Mario Nullmeier were elected by the General Meeting of Shareholders of RST on 23 October 2009.

Data on the participation of member of the Supervisory Board, Board and administration in the activities of other companies, institutions and organisations (name of the company, institution or organisation, position, percentage of other companies' capital and votes held in excess of 5%)

Note: the report indicates data about participation of members of the Supervisory Board, the Board and administration in the activities of other companies, institutions and organisations as of the end of the respective period.

Until 30 04 2009

Name, surname	Name of organization, office	Percentage of other companies' capital and votes held
Supervisory Board		
Andrius Šimkus	Chief Legal Officer of LEO LT AB until 01-12-2008 Member of the Supervisory Board of LitPol Link Sp. z o.o. until 30-09-2008	-
Mario Nullmeier	Head of the Baltic office of E.ON Ruhrgas International (ERI) AG	-
Vidmantas Grušas	Member of the Board of Lietuvos Energija AB Deputy General Manager of Lietuvos Energija AB for the Transmission Network Director of the Transmission Network Department of Lietuvos Energija AB	-
Darius Kašauskas	Director for Control and Analysis at LEO LT AB	-
Algimantas Zaremba	Director of the Energy Department of the Ministry of Economy of the Republic of Lithuania	-
Board		
Rimantas Vaitkus	-	-
Vytenis Kudinskas	Chairman of the Board of Rytra UAB	5% in AJ Šokoladas UAB
Laimutė Milašauskienė	-	-
Virgilijus Žukauskas	-	-
General Manager and Chief Accountant of the Company		
Rimantas Vaitkus	-	-
Veslava Juchevič	-	-

Since 30 04 2009 until 23 06 2009

Name, surname	Name of organization, office	Percentage of other companies' capital and votes held
	Supervisory Board	
Mario Nullmeier	Head of the Baltic office of E.ON Ruhrgas International (ERI) AG	-
Vidmantas Grušas	Member of the Board of Lietuvos Energija AB Deputy General Manager of Lietuvos Energija AB for the Transmission Network Director of the Transmission Network Department of Lietuvos Energija AB	-
Darius Kašauskas	Director for Control and Analysis at LEO LT AB	-
Algimantas Zaremba	Director of the Energy Department of the Ministry of Economy of the Republic of Lithuania	-
	Board	
Arvydas Tarasevičius	-	-
Vytenis Kudinskas	Chairman of the Board of Rytra UAB	5% in AJ Šokoladas UAB
Laimutė Milašauskienė	-	-
Virgilijus Žukauskas	Chairman of the Board of Elektros tinklo paslaugos UAB Chairman of the Board of Tetas UAB	-
	General Manager and Chief Accountant of the Company	
Arvydas Tarasevičius	-	-
Veslava Juchevič	-	-

Since 23 06 2009 until 23 10 2009

Name, surname	Name of organization, office	Percentage of other companies' capital and votes held
	Supervisory Board	
Vytautas Vazalinskas	Head of the Department of Energy Resources, Electricity and Heating of the Ministry of Energy of the Republic of Lithuania	-
Mario Nullmeier	Head of the Baltic office of E.ON Ruhrgas International (ERI) AG Member of the Supervisory Board of Eesti Gaas Member of the Board of the Estonian - German Chamber of Commerce Member of the Supervisory Board of Latvijas Gas	-
Darius Kašauskas	Director for Control and Analysis at LEO LT AB	-
Tadas Adomaitis	Electricity Market Development Manager at LEO LT AB	-
Arūnas Markevičius	Manager for Reliability and Safety of Supply at LEO LT AB	-
	Board	
Arvydas Tarasevičius	-	-
Vytenis Kudinskas	Chairman of the Board of Rytra UAB	5% in AJ Šokoladas UAB
Laimutė Milašauskienė	-	-
Virgilijus Žukauskas	Chairman of the Board of Elektros tinklo paslaugos UAB Chairman of the Board of Tetas UAB	-
	General Manager and Chief Accountant of the Company	
Arvydas Tarasevičius	-	-
Veslava Juchevič	-	-

Since 20 10 2009

Name, surname	Name of organization, office	Percentage of other companies' capital and votes held
Board		
Henrikas Bernatavičius	Vice Minister at the Ministry of Energy of the Republic of Lithuania, Chairman of the Board of VST, AB Chairman of the Board of Lietuvos energija, AB Chairman of the Board of Lietuvos elektrinė, AB The owner of the private enterprise "Adomynė" (under liquidation) Member of the Board of Girteka Baltic, UAB	-
Vytautas Vazalinskas	Head of the Department of Energy Resources, Electricity and Heating of the Ministry of Energy of the Republic of Lithuania Member of the Board of VST, AB Member of the Board of Lietuvos energija, AB Member of the Board of Lietuvos elektrinė, AB Chairman of the Board of Energijos tiekimas, UAB	-
Mario Nullmeier	Head of the Baltic office of E.ON Ruhrgas International (ERI) AG Member of the Supervisory Board of Eesti Gaas Member of the Board of the Estonian - German Chamber of Commerce Member of the Supervisory Board of Latvijas Gas	-
Aloyzas Koryzna	General Manager and member of the Board of of Lietuvos energija, AB Member of the Board of LITGRID UAB Member of the Board of international association ENSTO–E, Member of the Council of the Lithuanian Electric Energy Association	-
Arvydas Tarasevičius	Member of the Board of VST, AB Member of the Board of Lietuvos energija, AB Member of the Council of the Lithuanian Electric Energy Association Member of the Board of the public enterprise "Respublikinis energetikų mokymo centras"	-
General Manager and Chief Accountant of the Company		
Arvydas Tarasevičius	See information above	-
Veslava Juchevič	-	-

Information on payments to members of the RST management and supervisory bodies in the reporting period

	Salaries, LTL	Other payments*, LTL
To members of the Supervisory Board	-	-
To all members of the Board (except General Manager) - Remuneration for the activities of a member of the Board - Salary	318,814 383,433	-
To General Manager - Remuneration for the activities of a member of the Board - Salary	100,740 244,624	6,823
In average per one member of the Board	261,903	-
To Chief Accountant of the Company	115,882	2,327

* Other payments – holiday pays and redundancy payments, etc.

Biographical information on members of the Board

Henrikas Bernatavičius

Position: Vice Minister at the Ministry of Energy of the Republic of Lithuania, Chairman of the Board of RST.
Education: Vilnius Engineering Construction Institute, mechanical engineer for construction, road machinery and equipment.
Work experience: since 2009, H. Bernatavičius holds the offices of Vice Minister at the Ministry of Energy. In 2007-2009, he was the Director of UAB "Giritech Baltic", in 1999-2009, he was the head of UAB "Provisus ir Ko", in 1997-1999, he was the head of UAB "Provisus". In 1995-1997, H. Bernatavičius was the Director of the joint Lithuanian-USA company "Denticija". In 1993-1995, he was the chief broker - expert at UAB "Domus optima". In 1992-1993, H. Bernatavičius was the head of UAB "Tarptautinis biznio centras", in 1991-1992 he was the Head of Commercial Unit of UAB "GRV".

Arvydas Tarasevičius

Position: General Manager of RST, member of the Board of RST.
Education: Vilnius University, a Doctor of Social Science degree.
Vilnius University, economist-mathematician.
Work experience: since 2009, holds the position of General Manager of RST and member of the Board of RST.
From 2009 – Director of Vilnius territorial statistical office, from 2005 – General Manager of Invalda Construction Management, from 1998 to 2005 he worked as Head of Vilnius Business Center of Nord/LB Lietuva Bank. From 1992 to 1998 A.Tarasevičius worked at the Savings bank as a member of the Board and department director responsible for development of the Bank retail banking products and services. In 1991-1992 consultant to the Government of the Republic of Lithuania on state property privatization, in 1990 – 1991 Deputy Head of IT Centre of the Ministry of Industry, in 1989 – 1990 senior research associate at the Economics Institute of the Academy of Sciences.

Aloyzas Koryzna

Position: General Manager of AB "Lietuvos energija", member of the Board of RST.
Education: Moscow Institute of Energy, Doctor of Engineering degree.
Kaunas Polytechnic Institute, electrical engineer.
Kaunas Polytechnic Institute, profession of an engineer-electrician.
Work experience: since 2009, General Manager of AB "Lietuvos energija". From 2006 to 2009 A. Koryzna was a business consultant. From 1998 to 2001 he was employed as the Head at AB "Lietuvos telekomas", UAB "Lintel", UAB "Ashburn International".

Vytautas Vazalinskas

Position: Head of the Energy Resources, Heating and Electricity Unit at the Ministry of Energy, member of the Board of RST.
Education: Baltic Management Institute, managerial MBA studies.
Vilnius University, a Doctor of Social Science degree.
Vilnius University, a Master's degree in engineering economy.
Work experience: since 2009, Head of the Energy Resources, Heating and Electricity Unit at the Ministry of Energy. From 2007 to 2009 he was the Head of UAB "Baltempus", in 2006 – General Manager of UAB "MEGRAME MEDIS". From 2003 to 2006 he was the Head of UAB "RANGA IV", from 1999 to 2003 – the Financial Director of UAB "INTA".

Mario Nullmeier

Position: Head of Representative Office for the Baltic States at E.ON Ruhrgas International, member of the Board of RST.
Education: University of Toronto, Degree of global executive MBA.
Moscow Power Engineering Institute, Master's Degree, Nuclear physicist and engineer for heat and electricity generation.
Work experience: Since April 2005 he is working as Head of Representative Office for Baltic States at E.ON Ruhrgas International. He is responsible for the projects in the Baltic States covering the core competences of the E.ON group – generation/exploration, transport, trading, storage, distribution and sales of gas, electricity and heat. He coordinates BEMIP program activities for E.ON Ruhrgas in Estonia, Latvia, Lithuania and Poland. From 1999 to 2005 he headed the E.ON Energie Representative Office in Warsaw/Poland. From 1992 to 1999 Mario Nullmeier worked as area manager, he was responsible for several feasibility studies and privatization projects in Central Eastern Europe.

Agreements between the issuer and members or employees of its bodies providing for compensation in case of their resignation or groundless dismissal or end of their job due to a change in the control of the issuer

As at 20 October 2009, agreements on the activities of members of the Board were concluded between the Company and members of the Company's Board. They provided for compensation for members of the Board in the case of their resignation or groundless dismissal, or in the event that a member of the Board quit his/her job for other reasons. After the Board was dismissed on 20 October 2009, these agreements became null and void.
On 20 and 23 October 2009, agreements on the activities of members of the Board were not concluded with newly elected members of the Board.

Other special payments to the Chairman of the Board, the Board and the Supervisory Board

There were no other special payments to the Chairman of the Board, members of the Board and the Supervisory Board.

Information on assets transferred and guarantees provided to members of management bodies

RST has not transferred any assets to members of management bodies.

Information on major transactions of associated parties – indicate the value of transactions, the nature of relations among associated parties, and other information on transactions necessary to understand the Company's financial situation, if such transactions are significant or have been concluded in unusual market conditions

Information on transactions of associated parties is provided in clause 27 of the notes to the audited consolidated annual financial statements for 2009.

Significant agreements to which the issuer is a party and which would come into effect, change or would be terminated if the control of the issuer changed, as well as effects thereof, except in cases where revelation thereof would cause considerable damage to the issuer due to the nature of such agreements

The Company has not entered into significant agreements which would come into effect, change or would be terminated if the control of the issuer changed.

Audit Committee

As at 31 December 2009, the Supervisory Board of LEO LT had established a standing Audit Committee for implementation of the provisions of Article 52 of the Law on Audit of the Republic of Lithuania. After establishing the Audit Committee of LEO LT, it was not mandatory to set up audit committees referred to in Article 52(1) of the Law on Audit at subsidiaries.
The Audit Committee of LEO LT consisted of the following members: Aloyzas Vitkauskas (Ministry of Finance of the Republic of Lithuania), Mykolas Majauskas (Prime Minister's Office), Rimantas Žylius (Ministry of Economy of the Republic of Lithuania) and Vygantas Reifonas (independent auditor).
The Audit Committee presented its opinion and proposals on the preparation of financial statements, use of assets and financial resources, monitoring of activities and submission of reports to shareholders as well as performed other functions specified in the Regulation of the Supervisory Board of LEO LT and assigned by the Supervisory Board's decision.
However, after the decision to liquidate LEO LT, AB, came into force, members of the Supervisory Board (as well as members of the Audit Committee) were dismissed. Therefore, at its meeting held on 21 January 2010, the RST Board decided to include the issues of establishment of an Audit Committee, approval of the rules of procedure of the Audit Committee and election of members of the Audit Committee in the agenda of the nearest General Meeting of Shareholders.

Information on compliance with the Corporate Governance Code

Acting in accordance with Article 21(3) of the Law on Securities of the Republic of Lithuania, RST provides a report on compliance with the Corporate Governance Code for companies whose securities are traded in the regulated market, approved by NASDAQ OMX Vilnius AB.

III. ANALYSIS OF FINANCIAL RESULTS

In 2009, the operating income of the RST Group reached LTL 1,163.3 million, down by 2.6% from 2008 (LTL 1,194.3 million).
The Group's earnings before interest, tax, depreciation, effect of revaluation of property, plant and equipment and amortization (EBITDA) made up LTL 276.9 million, a rise by 9% from LTL 254.1 million in 2008.

The Group's net loss totaled LTL 37.3 million in 2009. In 2008 the Group's net loss was LTL 82.5 million.
Negative operating results of RST in 2009 were determined by a decrease in the value of non-current assets of the RST Group as a result of revaluation of tangible non-current assets. A fall in real estate prices in the market and a drop in the construction price index in 2009 determined a decrease in the value of non-current assets of the RST Group by LTL 303.4 million. Part of the decrease in the value of non-current assets (LTL 72.9 million) in 2009 was accounted for as non-current asset depreciation costs.

Subsidiaries receive more than 90% of income from the RST Group and therefore consolidated operating results do not differ much from RST results.

The main financial indicators of the RST Group in 2009

Indicators	2009	2008	2007	2006	2005
Income (LTL thousand)	1.163.270	1.194.263	1.057.815	935.013	870.012
EBITDA margin (%)	*23,8*	*21,3*	*21,4*	*22,0*	*22,8*
Operating profit (loss) (LTL thousand)	(53.381)	(82.640)	92.799	30.429	25.712
Operating profit margin (%)	*-4,6*	*-6,9*	*8,8*	*3,3*	*3,0*
Profit (loss) before tax (LTL thousand)	(50.980)	(89.158)	88.236	27.045	22.081
Profit margin before tax (%)	*-4,4*	*-7,5*	*8,3*	*2,9*	*2,5*
Net profit (loss) (LTL thousand)	(37.327)	(82.490)	74.305	22.355	18.737
Net profit margin (%)	*-3,2*	*-6,9*	*7,0*	*2,4*	*2,2*

The main relative financial ratios of the RST Group for 2009

Indicators	2009	2008	2007
Return on equity (ROE) (%)	*-1,6*	*-3,4*	*2,7*
Return on assets (ROA) (%)	*-1,2*	*-2,4*	*2,0*
Equity/assets ratio	0,74	0,71	0,76
Debt/equity ratio	0,36	0,41	0,32
Gross liquidity ratio	1,10	0,61	0,40

The Group's EBITDA margin (EBITDA to income) increased by 2.5 percentage points, to 23.8%. The increase in the margin was determined by more effective activities and considerably reduced operating costs.
Following a decrease in liabilities, the debt/equity ratio of the RST Group went down from 0.41 to 0.36 in 2009. The bulk of the Group's assets are financed by equity, which exceeds liabilities 2.8-fold.
After non-current asset acquisitions halved in 2009, free cash flows generated by the Group and liquid current assets went up. As a result of the increase in the Group's current assets, the gross liquidity ratio rose from 0.61 to 1.1 in 2009.

Income

In 2009, RST sold customers 3,998.1 million kWh of electricity, down by 6.5% from 2008.
In 2009, the consolidated income of the RST Group made up LTL 1,163.3 million (RST – LTL 1,160.3 million), down by LTL 31.0 million or 2.6% year-on-year. A drop in income was determined by a decrease in the need for electricity in industrial and service sectors as well as a reduction of electricity tariffs for customers in July 2009.

Costs

Considering decrease of electricity sales, RST purchased 4,351.3 million kWh of electricity, i.e. 6.2 percent less than in 2008. Electricity transmission service price (including Public Service Obligations price) was higher than in 2008.
Variable costs (purchase and transmission of electricity) in 2009 composed LTL 722.9 million, i.e. they increased by LTL 7.5 million or 1 percent. The increase of variable costs in 2009 was affected by increased electricity transmission service price (including Public Service Obligations price).
RST Group depreciation costs in 2009, compared with those in 2008, reduced by LTL 36.1 million and amounted to LTL 250.4 million.
In 2009, RST consistently continued its cost optimisation policy and improved internal business processes of the Company. As a result, the RST Group's operating costs, excluding variable, depreciation costs and the effect of revaluation, made up LTL 171.1 million, down by LTL 56 million from 2008. There was the most marked drop in payments to employees, repair and maintenance costs.

Assets

Value of non-current assets of the Group in 2009 reduced by LTL 419.3 million to LTL 2,836.6 million. The value decrease was affected by investments that were less than depreciation costs and non-current assets value decrease.
In the wake of revaluation of non-current assets, their value decreased by LTL 303.4 million.
The RST Group current assets in 2009 increased by LTL 108.4 million up to LTL 257.5 million. The change in the current assets was determined by loans provided and increase of short-time investments.

Equity

The Group's consolidated equity decreased by LTL 145.3 million and made up LTL 2,277.3 million at the end of reporting period. The equity shrank due to negative results of revaluation of non-current assets.

Liabilities

In 2009 the RST Group's liabilities decreased by LTL 165.6 million to LTL 816.8 million.
Non-current liabilities in 2009 decreased by LTL 156.6 million, current liabilities decreased by LTL 9.2 million.
A decrease in non-current liabilities was determined by a lower deferred income tax liability caused by the change of income tax tariff and a decrease in the value of non-current assets. A drop in current liabilities was determined by a reduction of advance payments for the connection of electrical facilities of new customers.
At the end of reporting period, financial debts of the RST Group amounted to LTL 180.4 million (including LTL 125.5 million of long-term and LTL 54.9 million of short-term debts).

Contractual agreements with auditors

On 30 April 2009 a General Meeting of Shareholders adopted the decision to choose audit firm "PricewaterhouseCoopers" UAB (company reg. No 111473315) for auditing consolidated financial statements of RST and its subsidiaries as well as financial statements of RST for 2009.
On 19 June 2009, RST and audit firm "PricewaterhouseCoopers" UAB signed a contract on carrying out an audit of consolidated financial statements and RST licensed activity costs for 2009.

IV. RISK FACTORS

In its activities, the Group is exposed to economic, political, technical and other risk factors.

Economic risk factors

The main risk factors related to activities:

- The electricity market and it's liberalisation;
- The general economic situation in the country;
- Changes in the market prices of equipment, devices and materials used for power network operation and construction.

In 2010, RST started buying some electricity from the Lithuanian electricity exchange managed by BALTPOOL UAB. Therefore, there is a risk of fluctuations in the major component of costs, i.e. the price of electricity bought. Pursuant to the Law on Electricity of the Republic of Lithuania, in 2010 large RST customers, whose permitted capacity is equal to or exceeds 400 kW, will be forced to buy electricity from independent suppliers. With the liberalisation process gathering momentum, independent electricity suppliers may be chosen by other RST customers as well, but a possible decrease in the amount of electricity sold will not have a significant effect on profitability.
The country's economic situation has a direct effect on tendencies in electricity sales and connection of new customers' electrical equipment as well as on customers' solvency. The value of the RST Group's assets also depends on real estate prices in the market and power network restoration costs.
Operating and expanding the distribution network controlled by it, RST buys electrical equipment and materials, whose prices depend on market tendencies. The costs of operation of the RST network and investment in the power network, which have an effect on RST financial results, depend on the prices of these goods.

Political risk factors

The RST Group operates in the energy sector which is regulated by the Law on Electricity of the Republic of Lithuania. In this regard, the activities and operating results of the Group depend on possible amendments to the abovementioned Law and other related legal acts.
RST licensed activities are controlled by the State Prices and Energy Control Commission (hereinafter referred to as 'the SPECC) which establishes caps on state-regulated prices, controls the application of state-regulated prices and tariffs as well as approves energy entity connection prices. Specific electricity tariffs for end customers are approved by the RST Board, but they are announced or unilaterally approved by the SPECC.
The activities, decisions and operating results of RST may depend on state policy on social, economic and other issues.

Technical and technological risk factors

Distribution of power in the power network involves technological costs and commercial losses. Technological costs depend on the technical characteristics and optimum use of the distribution network. Commercial losses result from unsanctioned connection to the power network as well as electricity thefts through illegal damage of electricity meters and metering system elements. In order to reduce commercial losses caused by external entities, RST is actively involved in the prevention of electricity thefts and relocation of metering devices to places easily accessible to the operator of the distribution network.
One of the key factors characterising the activities of the distribution network operator is the reliability of power distribution, which is evaluated according to the duration and number of customer disconnections. Unpredictable external factors such as natural disasters pose the risk that the Company may fail to ensure reliable power supply to customers and to receive expected income, and that the elimination of respective malfunctions will entail additional operating expenses.

Ecological risk factors

RST is a power distribution company. Unlike electricity production companies, it does not cause any significant pollution of the environment. Restriction or termination of RST activities due to possible environmental damage is little likely.

Bank loan repayment risk factors

Following the guidelines of borrowing programmes of previous years, RST has evenly distributed portions of loans to be repaid within the timeframe. Loans to credit institutions are repaid and interest paid within time limits established in agreements.

Financial risk management

In managing financial risks, RST follows the key treasury management provisions, based on which speculative profit-making is not the main objective of treasury management: financial liabilities and financial assets must be managed so as to ensure current and planned usual activities.
Detailed information on financial risk management is provided in clause 25 of the notes to the audited consolidated annual financial statements for 2009.

Internal control system

The purpose of the internal control of the Company is to mitigate risks related to business environment, processes within the Company and management information.
Management of the Company is responsible for development of the internal control system.
The Internal Audit Division is responsible for objective assessment of risk factor management efficiency and internal control system. It also evaluates the compliance of the Company's operations with the laws and other legal acts of the Republic of Lithuania, implementation of strategic and other plans, relevance and objectivity of accounting information, property records and protection as well as effectiveness of information systems. A special Safety and Prevention Department set up in 2008 contributes to ensuring the internal control system by carrying out the control functions in relation to the Company's property, legitimate interest and activities of employees. In carrying out their activities, these units follow their regulations approved by the General Manager and other internal legal acts and report directly to the General Manager of the Company.
The Accounting Division is responsible for drawing up the consolidated financial statements and application of the internal control system designed to draw up and properly present the financial statements. It keeps the accounts according to the approved accounting policy and International Financial Reporting Standards (IFRS) adopted for use in the European Union. Detailed information on financial risk management is disclosed in the Explanatory Note to Financial Statements.

PLANNED ACTIVITIES AND FORECASTS

RST seeks to be the best in terms of the service quality, flexible prices, modern technologies and effective activities. One of the Company's key goals in 2010 is to earn a reputation as a socially responsible company. Just like in 2009, the Company's activities will be based on implementation of long-term objectives, namely boosting of customer satisfaction, improvement of network reliability and quality, and ensuring of the effectiveness of activities.

Seeking to achieve its targets, the Company undertakes to fulfil specific objectives. The results achieved will be measured by a customer satisfaction study (TRI*M), electricity supply reliability and quality indexes (SAIDI and SAIFI), and indicators of reduction of operating costs and losses incurred in the power network. Visionary goals and specific objectives are a common agreement between the Company's managers and employees, which is reflected in the work plans of each employee of the Company. They will be achieved by a team of professional and motivated RST specialists.

Considering the fact that in 2010 the largest customers of RST will have to choose independent electricity suppliers, electricity sales will drop. This will have a negative effect on income, but electricity purchase costs will go down as well and therefore a decrease in sales should not affect profitability.
LTL 159.6 million is planned to be invested in non-current assets in 2010. The main areas of investment will remain unchanged:

- Connection of new customers' equipment;
- Reconstruction of transformer substations;
- 0.4–10 kV power network development.

Considering a decision taken at an Extraordinary General Meeting of Shareholders of RST on 4 January 2010 regarding preparation of conditions for reorganisation of RST and VST AB by merger, further decisions on this issue may be adopted in 2010.

V. OTHER INFORMATION ON THE RST GROUP

Employees

Qualified, educated and properly-motivated staff is the greatest value and a guarantee of efficient and successful activities. Therefore, the Group creates a safe working environment and a motivation system, so that each employee feels an important part of the Group.
For the purpose of staff skill development, various training programmes are implemented to improve leadership and team work skills of employees at different levels as well as develop customer service competences. The Company also promotes alternative learning methods: knowledge exchange sessions, reading and discussion of additional literature, and internal training conducted by RST employees.
As a result of development of more effective corporate management structures and implementation of changes in staff management, the number of the Group's staff at the end of 2009 compared to the start of the year decreased by 69. Such a change was determined by optimisation of the Company's processes.
The average number of RST employees in 2009 was 1,828. In 2008, it stood at 2,049.

Number of employees of the Group

Company	Number of employees		Change
	31 12 2008	31 12 2008	
Group	2 585	2 516	-2,7%
RST	1 840	1 792	-2,6%
Elektros Tinklo Paslaugos UAB	471	465	-1,3%
Rytra UAB	146	140	-4,1%
Tetas UAB	128	119	-7,0%

At the end of 2009, RST employed 1,792 people, down by 48 compared with the end of 2008. Amid optimisation of the management structure and introduction of modern technologies, the number of workers is gradually reduced while the number of qualified specialists is on the rise. Managers and specialists account for 4/5 of all employees.
Although staff turnover in RST is not high, every year the Company is joined by young and promising people or persons who have acquired extensive experience in various Lithuanian or foreign companies. In order to ensure their smooth and fast integration into the Company's activities, training for new employees are organised to acquaint them with the Company, its activities, objectives, structure and main processes.

RST employees by category

Category of employees	Education		Change
	31 12 2008	31 12 2008	
Managers	232	236	1,7%
Specialists	1 244	1 199	-3,6%
Workers	364	357	-1,9%
All employees	1 840	1 792	-2,6%

In October 2009, a new remuneration policy was introduced at the Company. Its implementation has placed the Company next to the most advanced companies of the country that have been remunerating their employees for their work in view of the results achieved by them and value created for an organisation and team for a number of years. The new remuneration system is closely related to changes in the country's salary market: staff salaries will be revised every year based on the results of Lithuanian salary market research.
Taking care of safe working conditions, RST has not only applied various preventive measures but has also allocated funds for insuring employees performing work associated with high occupational risk against accidents.

Average salary of RST employees

Category of employees	Average gross salary		Change
	2008	2009	
Managers and specialists	3 322	3 343	0,6%
Workers	2 250	2 239	-0,5%
All employees	3 089	3 112	0,7%

RST employees with higher or post-secondary education account for over 4/5 of all employees.

Distribution of RST employees by education

Education	Education			
	31 12 2008		31 12 2009	
Higher	866	47,0%	825	46,0 %
Post-secondary	619	33,6 %	630	35,2 %
Secondary	349	19,0 %	330	18,4 %
Other	6	0,3 %	7	0,4 %

Special rights of the issuer's employees set out in the collective agreement

The main social protection of RST employees is provided for in the collective agreement, which is updated every two years. The collective agreement specifies a scheme of remuneration for work of RST employees, working, economic and social conditions as well as additional guarantees applicable to employees (allowances in case of accidents, illnesses, death of family members, childbirth allowance and anniversary allowance, additional holidays with pay in case of birth of a child, marriage, death of a family member and in other cases, higher remuneration for work on non-working days (off-schedule work) than stipulated in the labour Code).

VI. PUBLIC DISCLOSURES

In implementing its duties according to the binding legislation that regulates the securities market, RST announces material events (as well as all further regulated information) for the whole of the European Union. Information published by the Company is available on its website www.rst.lt and the website of NASDAQ OMX Vilnius AB at www.nasdaqomxbaltic.com.

Events of major importance after the end of the financial year 2009

On 4 January 2010, the Extraordinary General Meeting of Shareholders of RST adopted the decision concerning preparation of reorganization conditions for RST and VST, AB by the way of merger: to assign the preparation of conditions of reorganization of RST and VST, AB by the way of merger to the Management Boards of RST and VST, AB, in cooperation with the Management Board of Parent Company or with its functions implementing person.

On 6 January 2010, LEO LT, AB, announced that on December 31, 2009 a resolution, taken on December 30, 2009 by the sole shareholder of LEO LT, AB (the Government of the Republic of Lithuania) to liquidation LEO LT, AB, took force.

On 13 January 2010, the Lithuanian Ministry of Energy publicly announced that International audit and consulting company Ernst&Young Baltic subsidiary of Ernst&Young in Lithuania was selected in public tender to prepare merger strategy and detailed action plan for RST and VST, AB.

On 26 January 2010, the Lithuanian Ministry of Energy publicly announced that national energy company LEO LT, AB, which received a loan in amount of 192 million from its subsidiaries VST, RST ir "Lietuvos energija" last December, is going to refund the loan by dividends. The payment scheme and amount of dividends are not announced.

In 2009, RST published the following information on material events:

06.02.2009 Information on the resignation of the Supervisory Board member

On 5 February, 2009, the member of Supervisory Board of Rytų skirstomieji tinklai (RST) Andrius Šimkus presented the request to RST on the resignation from the members of Supervisory Board from 19th of February, 2009.

13.02.2009 On the decrease of electricity consumption

Rytų skirstomieji tinklai AB notifies that over January 2009 electricity consumption has amounted to 399.7 million kWh, i.e. 5.4 per cent less than over January 2008.
The highest drop in the consumption of electricity has been recorded in the segment of industry – over the first month of this year, the industry has used 27 per cent less of electricity compared to the same period of the last year. The use of electricity by heating companies has decreased 19 per cent.

27.02.2009 The preliminary consolidated result of the group of companies of RST for 2008

The preliminary (unaudited) consolidated result of the group of companies of Rytų Skirstomieji Tinklai AB (hereinafter 'the RST Group') for 2008 according to International Financial Reporting Standards.

Operating revenue of the RST Group for 2008 was LTL 1,197.1 mln (EUR 346.7 mln), i.e. up by 12.7 pct from the 2007 result of LTL 1,062.4 mln (EUR 307.7 mln);
Earnings before Interest, taxes, depreciation and amortization (EBITDA) of the RST Group for 2008 made up LTL 251.9 mln (EUR 73.0 mln), i.e. by 11.5 pct higher than in 2007 when EBITDA was LTL 226.0 mln (EUR 65.5 mln);
Loss before taxes of the RST Group for 2008 amounted to LTL 87.7 mln (EUR 25.4 mln), while 2007 witnessed a profit before taxes of LTL 87.6 mln (EUR 25.4 mln);
Net loss of the RST Group for 2008 was LTL 82.1 mln (EUR 23.8 mln), and in 2007 net profit equalled LTL 73.7 mln (EUR 21.3 mln);
Investments of the RST Group for 2008 made up LTL 256.1 mln (EUR 74.2 mln), i.e. down by 6.2 pct from LTL 273.0 mln (EUR 79.1 mln) in 2007.
The loss of the RST Group, compared to the expected results announced previously (projected net loss of LTL 25 mln), was higher due to the revaluation of assets carried out at the end of 2008 (LTL 47.2 mln influence on the final result), the first ever decrease in sales in the last quarter year-on-year.

27.02.2009 RST AB report for the twelve months of the year 2008

Rytu Skirstomieji Tinklai AB submitted report for the twelve months of the year 2008 and confirmation of responsible persons.

03.03.2009 Regarding the decision of the Constitutional Courtof the Respublic of Lithuania

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

23.03.2009 Information on the resignation of the Management Board of LEO LT, AB member

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

23.03.2009 On the decrease of electricity consumption in February

Rytų Skirstomieji Tinklai AB notifies that over February 2009 electricity consumption has amounted to 391 million kWh, i.e. 6,2 per cent less than over February 2008.

27.03.2009 Information Regarding Resignation of President of LEO LT AB

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

27.03.2009 Notice on ordinary General Meeting of Shareholders of RST AB

According to the decision of the Management Board of Rytų Skirstomieji Tinklai AB, (company code110870890 registered office at P.Lukšio st.5B, LT-08221, Vilnius) ordinary General Meeting of Rytų Skirstomieji Tinklai AB Shareholders is being convened on April 30, 2009, at 9 a.m. in Vilnius, Lukšio 5B.

Agenda of the Ordinary General Meeting of Shareholders:
1. Approval of 2008 Consolidated Annual Report;
2. Approval of 2008 consolidated and Rytų skirstomieji tinklai, AB financial statements;
3. Distribution of profit (loss) of 31 December, 2008;

Registration of shareholders starts on April 30, 2009 at 8 a.m. and ends at 8:50 a.m.
The accounting day of the Ordinary General Meeting of Shareholders is 23 April, 2009.
The shareholders shall submit ID documents on arrival. Shareholders' proxies must also have a power of attorney certified in accordance with the procedure, established by law.

03.04.2009 The General Meeting of Shareholders of LEO LT, AB has elected the new Supervisory Council of LEO LT, AB

On April 3, 2009 the General Meeting of Shareholders of LEO LT, AB has elected the new Supervisory Council of LEO LT, AB.
As the President of LEO LT, AB and the Chairman of the Supervisory Council was elected the Chairman of the National Control Commission for Prices and Energy Mr. Virgilijus Poderys.
As members of the Supervisory Council which will represent interests of the State became Tomas Vaitkevičius (Vice-minister of the Ministry of Justice), Romas Švedas (Vice-minister of the Ministry of Energy), Rimantas Žylius (Vice-minister of the Ministry of Economy), Aloyzas Vitkauskas (Undersecretary of the Ministry of Finance), Šarūnas Adomavičius (Undersecretary of the Ministry of Foreign Affairs) and Kęstutis Škiudas (Adviser to the Prime Minister Andrius Kubilius).
Interests of NDX Energy, UAB in the Supervisory Council will be represented by Ignas Staškevičius (Chairman of the Board of NDX Energy, UAB), Petras Jašinskas (Chief Financial Officer of NDX Energy, UAB), Marius Kriščiūnas (VP Group Lawyer) and Lina Karkliauskaitė (Chief Legal Officer of NDX Energy, UAB).

09.04.2009 The meeting of the supervisory Board of LEO LT, AB was convened on April 9, 2009

On April 9, 2009 the meeting of the Supervisory Board of LEO LT, AB (hereinafter – the Company) has elected the new Management Board of the Company. As members of the new Management Board of the Company were elected following persons: Valdas Bancevičius, Ramūnas Bičiulaitis, Rokas Masiulis, Rimantas Vaitkus and Šarūnas Vasiliauskas.
On the same date (9 April), a meeting of the Management Board of the Company was convened. The Management Board of the Company has elected Rimantas Vaitkus as a Chairman of the Management Board and the Chief Executive Officer of the Company.

15.04.2009 Supplemented agenta of the Ordinary General Meeting of Shareholders.

On 14 April 2009 the Management Board of Rytu skirstomieji tinklai, AB (company code 110870890, registered office at P.Lukšio st. 5B, LT-08221, Vilnius) decided to supplement the agenda of the Ordinary General Meeting of Shareholders to be held on 30 April 2009 with the following draft resolution:
- Election of audit company and approval of payment conditions for audit services;

Therefore the agenda of the Ordinary General Meeting of Shareholders that shall take place at the registered office of Rytu skirstomieji tinklai, AB (P.Lukšio st. 5B, Vilnius), in the cabinet No.600, on 30 April 2009, shall be:
1. Approval of 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report;
2. Approval of 2008 consolidated and Rytų skirstomieji tinklai, AB financial statements;
3. Distribution of Rytų skirstomieji tinklai, AB profit (loss) of 31 December, 2008;
4. Election of audit company and approval of payment conditions for audit services;

Registration of shareholders starts on April 30, 2009 at 8 a.m. and ends at 8:50 a.m.
The accounting day of the Ordinary General Meeting of Shareholders is 23 April, 2009.
The shareholders shall submit ID documents on arrival. Shareholders' proxies must also have a power of attorney certified in accordance with the procedure, established by law.

The documents, related to the agenda of the Ordinary General Meeting, shall be available for the shareholders from 17 of April, 2009 on the website of Rytu skirstomieji tinklai, AB at www.rst.lt and on the website of NASDAQ OMX Vilnius, AB at www.nasdaqomxbaltic.com.

17.04.2009 Draft resolutions of the ordinary General Meeting of Shareholders

On 17 April 2009 the Management Board of Rytu skirstomieji tinklai, AB (company code 110870890, registered office at P.Lukšio st. 5B, LT-08221, Vilnius) approved draft resolutions of the Ordinary General Meeting of shareholders, to be held on 30 April 2009:
1. Approval of 2008 Consolidated Annual Report.
Draft resolution:
„To approve 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report (attached) ".

2. Approval of 2008 consolidated and Rytų skirstomieji tinklai, AB financial statements.
Draft resolution:
„To approve 2008 consolidated and Rytų skirstomieji tinklai, AB financial statements (attached) ".

3. Distribution of Rytų skirstomieji tinklai, AB profit (loss) of 31 December, 2008.
Draft resolution:
„To approve the distribution of Rytų skirstomieji tinklai, AB the profit (loss) of 31 December, 2008:

Articles	Amount, Lt
The unappropriated balance of the balance nor avaibale for distrubution of the previos financial year in the beginning of the accounting financial year	
Net profit (loss) of the accounting financial year	–80 080 656
The profit of the accounting financial year not recognized as such in the profit (loss)	169 357 779
The contributions of shareholders to cover the loss of the enterprise	
Transfers from the reservs	333 518 792
Distributable profit (loss) in total:	422 795 915
Distribution of profit	
– the slice of the profit appropriated to the legal reserves	
– the slice of the profit appropriated to the reserves for purchasing own shares	
– the slice of the profit appropriated to the other reserves	
– the slice of the profit appropriated to pay dividends	
– the slice of the profit appropriated for annual payout (bonuses), premium pays and other	
Profit (loss) brought forward from the previous year at the end of the current year is put foward to the next financial year	422 795 915

4. Election of audit company and approval of payment conditions for audit services.
Draft resolution:
"To elect audit company „PricewaterhouseCoopers", UAB for the audit of financial statements for the year 2009 of Rytų skirstomieji tinklai, AB (including consolidated financial statements) and to approve remuneration conditions in amount not bigger 80 000 Lt (VAT excluded)".

Registration of shareholders starts on April 30, 2009 at 8 a.m. and ends at 8:50 a.m.
The accounting day of the Ordinary General Meeting of Shareholders is 23 April, 2009.

The shareholders shall submit ID documents on arrival. Shareholders' proxies must also have a power of attorney certified in accordance with the procedure, established by law.
The documents, related to the agenda of the Ordinary General Meeting, shall be available for the shareholders on the website of Rytu skirstomieji tinklai, AB at http://www.rst.lt and on the website of NASDAQ OMX Vilnius, AB at www.nasdaqomxbaltic.com.

22.04.2009 Management Board of RST AB approved an application of general Manager

On 22th of April, 2009, the Management Board of Rytų skirstomieji tinklai, AB approved an application of General Manager of Rytų skirstomieji tinklai, AB Rimantas Vaitkus to recall him from General Manager's office from 24th of April, 2009, considering that Rimantas Vaitkus is elected to the positions of the Chairman of the Management Board and the Chief Executive Officer of LEO LT, AB.
The Management Board of Rytų skirstomieji tinklai, AB has temporarily assigned the office of General Manager of Rytų skirstomieji tinklai, AB to the Deputy General Manager Vytenis Kudinskas.

24.04.2009 Decision to recall the Management Board member

On 24th of April 2009, a meeting of the Supervisory Board of Rytų skirstomieji tinklai, AB was convened at 10:00 a.m.The Supervisory Board adopted the following decision: to recall the Management Board member of Rytų skirstomieji tinklai, AB Rimantas Vaitkus from 24th of April, 2009.

30.04.2009 Preliminary unaudited operating results of RST company for the first quarter of 2009

Preliminary unaudited operating results of Rytų Skirstomieji Tinklai AB company group for the first quarter of 2009 is a net profit of LTL 8.1 million (EUR 2.3 million) according to International Financial Reporting Standards. In the first quarter of 2009 the operating income of the group reached LTL 338.4 million (EUR 98.0 million). Investments of Rytų Skirstomieji Tinklai AB made up LTL 30.4 million (EUR 8.8 million) over this period.

30.04.2009 The notice of the Board of LEO LT, AB

On 30 April, The Board of LEO LT, AB, taking in to account the objective set by shareholders, will find a possibility to reduce the electricity price by 4 ct/kWh to the customers from 1 July, 2009.

"Taking in to account the country's economical situation and having strictly expressed position of the shareholders, from the second half of this year we take the responsibility to reduce the price of the electricity to the consumers, restoring it to the level of the year 2008. We will use all possible recourses to strive it", - says LEO LT, AB Chairman of the Board Rimantas Vaitkus.

30.04.2009 the decision of the Extraordinary Meeting of the Supervisory Board

The Extraordinary Meeting of the Supervisory Board of Rytų skirstomieji tinklai, AB (hereinafter - RST) was convened on April 30, 2009.
The Supervisory Board elected Arvydas Tarasevičius to the Management Board of RST for the remaining term of the functioning Management Board.

On the same date (30 April), a meeting of the Management Board of RST was convened at 12:00 a.m.
The Management Board of RST adopted the following decisions:
1) To elect Arvydas Tarasevičius as a chairman of the Management Board of RST.
2) To elect Arvydas Tarasevičius as a General Manager of RST.

30.04.2009 the decision. Adopted in the Ordinary general Meeting of the Shareholders of RST AB

The Ordinary General Meeting of the Shareholders of Rytu skirstomieji tinklai, AB, held on April 30, 2009, adopted the following decisions:

1. To approve 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report (attached).
2. To approve 2008 consolidated and Rytų skirstomieji tinklai, AB financial statements (attached).
3. To approve the distribution of Rytų skirstomieji tinklai, AB the profit (loss) of 31 December, 2008:

Articles	Amount, Lt
The unappropriated balance of the balance nor avaibale for distrubution of the previos financial year in the beginning of the accounting financial year	
Net profit (loss) of the accounting financial year	–80 080 656
The profit of the accounting financial year not recognized as such in the profit (loss)	169 357 779
The contributions of shareholders to cover the loss of the enterprise	
Transfers from the reservs	333 518 792
Distributable profit (loss) in total:	422 795 915
Distribution of profit	
– the slice of the profit appropriated to the legal reserves	
– the slice of the profit appropriated to the reserves for purchasing own shares	
– the slice of the profit appropriated to the other reserves	
– the slice of the profit appropriated to pay dividends	
– the slice of the profit appropriated for annual payout (bonuses), premium pays and other	
Profit (loss) brought forward from the previous year at the end of the current year is put foward to the next financial year	422 795 915

21.05.2009 Information regarding the decision adopted by the NATIONAL Control Commission for Prices and Energy

On 21st May, 2009, the National Control Commission for Prices and Energy (NCCPE) has published the decision to reduce the tariffs of equipment connection for electricity energy customers, which comes into force form 1st July, 2009.More information can be found on the NCCPE web page www.regula.lt.

21.05.2009 the Extraordinary General Meeting of Shareholders

The Extraordinary General Meeting of of Rytų Skirstomieji Tinklai AB, (company code110870890 registered office at P.Lukšio str. 5B, LT-08221, Vilnius), will take place on June 23, 2009, at 10 a.m. in Vilnius, Lukšio str. 5B. The meeting is convened on the initiative of the Shareholder of Rytų Skirstomieji Tinklai AB (LEO LT, AB) and by the resolution of the Management Board of Rytų Skirstomieji Tinklai AB.

Agenda of the Extraordinary General Meeting of Shareholders:
1. Recall of the Supervisory Board of Rytu skirstomieji tinklai, AB;
2. Election of the Supervisory Board of Rytu skirstomieji tinklai, AB.

Draft resolutions of the Extraordinary General Meeting of Shareholders:
1. Recall of the Supervisory Board of Rytu skirstomieji tinklai, AB
Draft resolution:
“To recall the current Supervisory Board of Rytų skirstomieji tinklai, AB in corpore, which authorities are being terminated with the initiation of activities of a new Supervisory Board of Rytų skirstomieji tinklai, AB”.
2. Election of the Supervisory Board of Rytų skirstomieji tinklai, AB
Draft resolution:
„1. To elect the following persons to the Supervisory Board of Rytų skirstomieji tinklai, AB:
- [____________];
2. To establish the date for activity initiation of the new Supervisory Board of Rytų skirstomieji tinklai, AB to be the date of the meeting of Rytų skirstomieji tinklai, AB shareholders, which have elected the Supervisory Board”.

Registration of shareholders starts on June 23, 2009 at 9 a.m. and ends at 9:50 a.m.
The accounting day of the Extraordinary General Meeting of Shareholders is 16 June, 2009.
The shareholders shall submit ID documents on arrival. Shareholders’ proxies must also have a power of attorney certified in accordance with the procedure, established by law.

22.05.2009 Regarding information, published in the media

The information was announced in the media on 21 of May, stating that from July 1, 2009, electricity tariff could be reduced by LTC 1.67 at the expense of the national energy group of companies LEO LT, AB and, according to that, this year group would not earn the income of LTL 52 million.
LEO LT, AB controls joint-stock companies Rytų skirstomieji tinklai, „VST“ and „Lietuvos energija“.
Rytų skirstomieji tinklai, AB notes, that information, regarding the approved electricity tariffs as well as the data about the particular results of the company will be announced in the compliance with requirements for publication of such information.

28.05.2009 RST AB approved the prices and tariffs of electricity and the procedure of their application for the second half of the year 2009.

On 28Th of May, 2009 the Management Board of RST approved the prices and tariffs of electricity and the procedure of their application for the second half of the year 2009 and submitts them to the National Control Commission for Prices and Energy (NCCPE). The Management Board of RST decided to decrease the price for electricity distribution by 1.43 LTc/Wh. It is intended, that the electricity price will decrease on average by 4 LTc/kWh (including VAT) since 1st of July, 2009. The determinate prices and tariffs of electricity and the
procedure of their application shall be promulgated by NCCPE in accordance with the legal acts.
For more information, please visit the website of the National Control Commission for Prices and Energy, www.regula.lt.

29.05.2009 national Control Commission for Prices and Energy took a decision to announce the prices and tariffs of electricity for the second half of the year 2009

At the meeting held on 29Th of May, 2009, the National Control Commission for Prices and Energy took a decision to announce the prices and tariffs of electricity for the second half of the year 2009 supplied by Rytų Skirstomieji Tinklai, AB. The electricity price will decrease on average by 4 LTc/kWh (including VAT) since 1st of July, 2009. The electricity price for household consumers will decrease by 2 LTc/kWh (including VAT) and the electricity price for enterprises and institutions will decrease on the average by 4.2 LTc/kWh (excluding VAT). The price for electricity distribution will decrease on average by 1.43 LTc/kWh.
For more information, please visit the website of the National Control Commission for Prices and Energy, www.regula.lt.

23.06.2009 the Decisions, adopted in the Extraordinary General meeting of the Shareholders of RST, held on June 23, 2009

The Extraordinary General Meeting of the Shareholders of Rytu skirstomieji tinklai, AB, held on June 23, 2009, 10 a.m., adopted the following decisions:

1. To recall the current Supervisory Board of Rytų skirstomieji tinklai, AB in corpore, which authorities are being terminated with the initiation of activities of a new Supervisory Board of Rytų skirstomieji tinklai, AB.

2.1. To elect the following persons to the Supervisory Board of Rytų skirstomieji tinklai, AB for the remaining term of the Supervisory Board that abandoned its duties (i.e. until the day of 2012 Ordinary General Meeting of the Shareholders of Rytu skirstomieji tinklai, AB):

- Tadas Adomaitis;
- Darius Kašauskas;
- Arūnas Markevičius;
- Mario Nullmeier;
- Vytautas Vazalinskas.

2.2. To establish the date for activity initiation of the new Supervisory Board of Rytų skirstomieji tinklai, AB to be the end of the General Meeting of the Shareholders of Rytų skirstomieji tinklai, AB, which have elected the Supervisory Board.

09.07.2009 The decision of the Borad on corrections and amendments to the consolidated annual report 2008 of the RST company group

On 8 July 2009, the Board of Rytų Skirstomieji Tinklai AB (RST), taking account of the comments included in letter No 06-837-(11.03.-02) of 17 June 2009 of the Securities Commission of the Republic of Lithuania with regard to the consolidated annual report 2008 of the RST group, approved corrections and amendments to the consolidated annual report 2008 of the RST group. These corrections and amendments to the annual report have not been reviewed by the auditors of RST.
Pursuant to paragraph 22.3 of the Articles of Association of RST, the Board also decided to include the issue on the approval of the modifications and amendments to the consolidated annual report 2008 of the RST group into the agenda of the next General Meeting of Shareholders.
Modifications and amendments to the consolidated annual report of the RST group are available on http://www.rst.lt.

31.07.2009 Information regarding changes of The LAW of electrical Energy

On 31st July, 2009, in "Valstybės žinios" has been published The Law of complement and changes of the articles 42, 44 of the Law of Electrical Energy, which comes into force form 1st August, 2009.
More information can be found on the web page of Seimas of the Republic of Lithuania http://www.lrs.lt/.

03.08.2009 Preliminary unaudited operating results of the RST company group for the first half of 2009

Preliminary unaudited operating results of Rytų Skirstomieji Tinklai AB company group for the first half of 2009 is a net loss of LTL 6.5 million (EUR 1.9 million) according to International Financial Reporting Standards.
In the first half of 2009 the operating income of the group reached LTL 612.2 million (EUR 177.3 million).
Investments of Rytų Skirstomieji Tinklai AB made up LTL 66.8 million (EUR 19.3 million) over this period.
The increase of purchased electricity cost, due to the Ignalina nuclear power plant unplanned stop, led to the loss making.

04.08.2009 Regarding the amended Law on Nuclear Power Plant of the Republic of Lithuania

On August 4, 2009 in "Valstybės žinios" has been published the law on Nuclear Power Plant and related legal acts, regarding further activities of national investment company LEO LT, AB, which owns 71,35 percent of Rytų skirstomieji tinklai AB shares.
More information can be found on the web page of Seimas of the Republic of Lithuania http://www.lrs.lt/.

14.08.2009 Regarding information, published in the media

The information was announced in the media on 13 of August, 2009 stating that "E. On Ruhrgas International" intends to sell its shares of Rytų skirstomieji tinklai, AB.
„E. On Ruhrgas International" owns 20,28 % of Rytų skirstomieji tinklai, AB shares.

19.08.2009 Election of the chairman of the Supervisory Board

On 19 August 2009 the Supervisory Board of Rytų skirstomieji tinklai, AB (hereinafter - the Company) elected Vytautas Vazalinskas as the Chairman of the Supervisory Board of the Company.

20.08.2009 Regarding Lithuanian Government decree

On August 20, 2009 in "Valstybės žinios" has been published Lithuanian Government decree, authorizing the Ministry of Energy vote for the liquidation of LEO LT, AB at the General Meeting of Shareholders of LEO LT, AB.
More information can be found on the web page of Seimas of the Republic of Lithuania http://www.lrs.lt/.
LEO LT, AB owns 71,35 percent of Rytų skirstomieji tinklai, AB shares.

21.08.2009 Regarding the electricity price

Rytų skirstomieji tinklai, AB (RST) will not increase the electricity price for household consumers despite the raise in the value-added tax (VAT) rate from 19 to 21 percent, starting from the 1st of September, 2009. To compensate the VAT rate difference, RST will reduce expenditure and increase efficiency of its activity.

04.09.2009 Regarding liquidation of national investment company LEO LT, AB

The Extraordinary General Meeting of Shareholders of LEO LT, AB, held on September 4, 2009, adopted the decision for liquidation of the national investment company LEO LT, AB and adopted decisions for liquidation process.
LEO LT, AB owns 71.35 percent of Rytų skirstomieji tinklai, AB shares.

24.09.2009 Regarding the draft resolutions of the Extraordinary General Meeting of Shareholders of RST B

According to the decision of the Board of Rytų skirstomieji tinklai, AB (company code 110870890, registered office P. Lukšio 5B, LT-08221, Vilnius) the Extraordinary General Shareholders Meeting of Rytų skirstomieji tinklai, AB is held on October 23, 2009 and shall take place at the office of the company P. Lukšio 5B, Vilnius, 6th floor, at 10.00 AM.

The shareholders will be asked to approve the following items:
1.The item of agenda: Regarding approval of the new wording of the Bylaws of Rytų skirstomieji tinklai, AB".
Draft resolution:
"1.1. To approve the new wording of the Bylaws of Rytų skirstomieji tinklai, AB.
1.2. To authorize the Chief Executive Officer of Rytų skirstomieji tinklai, AB to sign the new wording of the Bylaws of Rytų skirstomieji tinklai, AB set forth by the Law and to perform other necessary actions abiding by the procedure to registry thereof in the Register of Legal Entities under the procedure established by legislation."

2. The item of agenda: According the approval of the supplements and replacements of 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report.
Draft resolution:
"To approve the supplements and replacements of 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report (attached)."

Initiator of the shareholders meeting: LEO LT, AB.
The account date of the Extraordinary General Meeting of Shareholders: the 16th of October, 2009. Shareholders that own Rytų skirstomieji tinklai, AB shares on the end of the working day of 16th of October, 2009, shall have the right to participate in convened Extraordinary General Meeting.

Registration starts: October 23, 2009, 9.00 AM.
Registration ends: October 23, 2009, 9.55 AM.

More information about the Extraordinary General Meeting of Shareholders of Rytų skirstomieji tinklai, AB (the draft decisions of the Extraordinary General Meeting of Shareholders, power of attorney to represent at the Extraordinary General Meeting of Shareholders, voting bulletin of the Extraordinary General Meeting of Shareholders and other information) can be found on the web page of the company http://www.rst.lt/.

02.10.2009 Regarding the electricity distribution price cap

On October 1, 2009 the decision No. O3-139 of the National Control Commission for Prices and Energy made on September 25, 2009 approving a new edition of Electricity transmission and distribution prices and their caps setting methodology was announced in periodical "Valstybės žinios". The approved methodology is chartered according to Lithuanian Law on Electricity and principles setting the value of assets used in the licensed activity by electricity utility approved by the Government of the Republic of Lithuania.
For more information, please visit the website of the National Control Commission for Prices and Energy http://www.regula.lt.

07.10.2009 Regarding information, published in the media

The information was announced in the media on 20 of October, 2009, stating about the possible merger of "VST" AB and Rytų skirstomieji tinklai, AB.
Rytų skirstomieji tinklai, AB notes, that information about certain merger actions will be announced following the instructions, required for disclosure of such information.

09.10.2009 Regarding the supplemented agenda of the Extraordinary General Meeting of Shareholders of RST AB

On 8 October 2009 the Board of Rytu skirstomieji tinklai, AB (company code 110870890, registered office at P.Lukšio st. 5B, LT-08221, Vilnius) decided to supplement the agenda of the Extraordinary General Meeting of Shareholders to be held on 23 October 2009 with the following draft resolutions:
- Concerning dissolution of the Supervisory Board of Rytų skirstomieji tinklai, AB;
- Concerning election of the Board of Rytų skirstomieji tinklai AB;
- Concerning the approval, that Rytų skirstomieji tinklai AB could guarantee for credit institutions for any obligations of subsidiaries.

Therefore the agenda of the Extraordinary General Meeting of Shareholders that shall take place at the registered office of Rytu skirstomieji tinklai, AB (P.Lukšio st. 5B, Vilnius), in the 6th floor, on 23 October 2009, at 10.00 AM shall be:
1. Regarding approval of the new wording of the Bylaws of Rytų skirstomieji tinklai, AB
2. Concerning dissolution of the Supervisory Board of Rytų skirstomieji tinklai, AB
3. Concerning election of the Board of Rytų skirstomieji tinklai AB;
4. According the approval of the supplements and replacements of 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report.
5. Concerning the approval, that Rytų skirstomieji tinklai AB could guarantee for credit institutions for any obligations of the subsidiaries.

The shareholders will be asked to approve the following items:
1. The item of agenda: Regarding approval of the new wording of the Bylaws of Rytų skirstomieji tinklai, AB".
Draft resolution:
1.1. To approve the new wording of the Bylaws of Rytų skirstomieji tinklai, AB.
1.2. "To authorize the Chief Executive Officer of Rytų skirstomieji tinklai, AB to sign the new wording of the Bylaws of Rytų skirstomieji tinklai, AB set forth by the Law and to perform other necessary actions abiding by the procedure to registry thereof in the Register of Legal Entities under the procedure established by legislation."

2. Concerning dissolution of the Supervisory Board of Rytų skirstomieji tinklai, AB
Draft resolution:
„Dissolute the Supervisory Board of Rytų skirstomieji tinklai, AB collegial supervisory body - Supervisory Board - and to recall its members. To determine, that the term of office of the Supervisory Board members shall terminate from the approval of resolution."

3. The item of agenda: Concerning election of the Board of Rytų skirstomieji tinklai AB.
Draft resolution:
3.1. To elect the following persons to the Board of Rytų skirstomieji tinklai AB for the remaining term of the Board that abandoned its duties:
- Mr. Vytautas Vazalinskas
- Mr. [name, surname].
3.2. To determine, that the newly elected Board of Rytų skirstomieji tinklai shall start its activities just after registration of the new wording of the Bylaws of Rytų skirstomieji tinklai AB in the Register of Legal Entities."

4. The item of agenda: According the approval of the supplements and replacements of 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report.
Draft resolution:
“To approve the supplements and replacements of 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report (attached).”

5. The item of agenda: Concerning the approval Rytų skirstomieji tinklai AB could guarantee for credit institutions for any obligations of the subsidiaries.
Draft resolution:
„To approve Rytų skirstomieji tinklai AB could guarantee for credit institutions for any obligations of the subsidiaries (total sum of guarantee up to 10 000 000 LTL, the term of guarantee up to 2 years).“

Initiator of the shareholders meeting: LEO LT, AB. The account date of the Extraordinary General Meeting of Shareholders: the 16th of October, 2009. Shareholders that own Rytų skirstomieji tinklai, AB shares on the end of the working day of 16th of October, 2009, shall have the right to participate in convened Extraordinary General Meeting.
Registration starts: October 23, 2009, 9.00 AM.
Registration ends: October 23, 2009, 9.55 AM.

Documents concerning the agenda of the Extraordinary General Meeting of Shareholders, the drafts of decisions of each agenda question, documents to be submitted to the Extraordinary General Meeting of Shareholders, and other information, related to Shareholders rights, shareholders can access in the Company's office during working hours. More information about the Extraordinary General Meeting of Shareholders of Rytų skirstomieji tinklai AB (the draft decisions of the Extraordinary General Meeting of Shareholders, power of attorney to represent at the Extraordinary General Meeting of Shareholders, voting bulletin of the Extraordinary General Meeting of Shareholders, etc.) can be found on the web page of the company http://www.rst.lt/.

12.10.2009 Regarding the supplemented agenda of the Extraordinary General Shareholders Meeting of RST AB

On 12 October 2009 the Board of Rytu skirstomieji tinklai, AB (company code 110870890, registered office at P.Lukšio st. 5B, LT-08221, Vilnius) decided to supplement the agenda of the Extraordinary General Meeting of Shareholders to be held on 23 October 2009 with the following draft resolution:
- Concerning the contracts with the members of the Board of the Company, concerning the activities of the member of the Board of the Company.

Therefore the agenda of the Extraordinary General Meeting of Shareholders that shall take place at the registered office of Rytu skirstomieji tinklai, AB (P.Lukšio st. 5B, Vilnius), in the 6th floor, on 23 October 2009, at 10.00 AM shall be:
1. Regarding approval of the new wording of the Bylaws of Rytų skirstomieji tinklai, AB
2. Concerning dissolution of the Supervisory Board of Rytų skirstomieji tinklai, AB
3. Concerning election of the Board of Rytų skirstomieji tinklai AB;
4. Concerning the contracts with the members of the Board of Rytų skirstomieji tinklai AB, concerning the activities of the member of the Board of the Company.
5. According the approval of the supplements and replacements of 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report.
6. Concerning the approval, that Rytų skirstomieji tinklai AB could guarantee for credit institutions for any obligations of the subsidiaries.

The shareholders will be asked to approve the following items:
1. The item of agenda: Regarding approval of the new wording of the Bylaws of Rytų skirstomieji tinklai, AB”.
Draft resolution:
“1.1. To approve the new wording of the Bylaws of Rytų skirstomieji tinklai, AB.
1.2. To authorize the Chief Executive Officer of Rytų skirstomieji tinklai, AB to sign the new wording of the Bylaws of Rytų skirstomieji tinklai, AB set forth by the Law and to perform other necessary actions abiding by the procedure to registry thereof in the Register of Legal Entities under the procedure established by legislation.”

2. Concerning dissolution of the Supervisory Board of Rytų skirstomieji tinklai, AB
Draft resolution:
„Dissolute the Supervisory Board of Rytų skirstomieji tinklai, AB collegial supervisory body - Supervisory Board - and to recall its members. To determine, that the term of office of the Supervisory Board members shall terminate from the approval of resolution.“

3. The item of agenda: Concerning election of the Board of Rytų skirstomieji tinklai AB.
Draft resolution:
3.1. To elect the following persons to the Board of Rytų skirstomieji tinklai AB for the remaining term of the Board that abandoned its duties:
- Mr. Vytautas Vazalinskas
- Mr. [name, surname].
3.2. To determine, that the newly elected Board of Rytų skirstomieji tinklai shall start its activities just after registration of the new wording of the Bylaws of Rytų skirstomieji tinklai AB in the Register of Legal Entities.”

4. The item of agenda: Concerning the contracts with the members of the Board of the Company, concerning the activities of the member of the Board of the Company.
Draft resolution:
"Not to conclude the contracts with the members of the Board of Rytų skirstomieji tinklai AB, concerning the activities of the member of the Board of the Company."

5. The item of agenda: According the approval of the supplements and replacements of 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report.
Draft resolution:
"To approve the supplements and replacements of 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report (attached)."

6. The item of agenda: Concerning the approval Rytų skirstomieji tinklai AB could guarantee for credit institutions for any obligations of the subsidiaries.
Draft resolution:
„To approve Rytų skirstomieji tinklai AB could guarantee for credit institutions for any obligations of the subsidiaries (total sum of guarantee up to 10 000 000 LTL, the term of guarantee up to 2 years)."

Initiator of the shareholders meeting: LEO LT, AB.
The account date of the Extraordinary General Meeting of Shareholders: the 16^{th} of October, 2009. Shareholders that own Rytų skirstomieji tinklai, AB shares on the end of the working day of 16th of October, 2009, shall have the right to participate in convened Extraordinary General Meeting.
Registration starts: October 23, 2009, 9.00 AM.
Registration ends: October 23, 2009, 9.55 AM.

Documents concerning the agenda of the Extraordinary General Meeting of Shareholders, the drafts of decisions of each agenda question, documents to be submitted to the Extraordinary General Meeting of Shareholders, and other information, related to Shareholders rights, shareholders can access in the Company's office during working hours.
More information about the Extraordinary General Meeting of Shareholders of Rytų skirstomieji tinklai AB (the draft decisions of the Extraordinary General Meeting of Shareholders, power of attorney to represent at the Extraordinary General Meeting of Shareholders, voting bulletin of the Extraordinary General Meeting of Shareholders, etc.) can be found on the web page of the company http://www.rst.lt/

20.10.2009 Concerning the resolutions of the Supervisory Board of RST AB

The meeting of the Supervisory Board of Rytų skirstomieji tinklai, AB (hereinafter - the Company) was convened on October 20, 2009. Following decisions were taken:
1) To revoke the present Board of the Company in corpore;
2) To elect the following persons to the Board of the Company for the remaining term of the Board that abandoned its duties: Mr. Henrikas Bernatavičius, Mr. Arvydas Tarasevičius and Mr. Aloyzas Koryzna;
3) Not to elect the fourth member of the Board of the Company;
4) To determine, that the newly elected Board of the Company shall start its activities just after Supervisory Board meeting, in which the Board was elected.

23.10.2009 The decisions, adopted in the Extraordinary General Meeting of Shareholders of RST AB

The Extraordinary General Meeting of Shareholders of Rytų skirstomieji tinklai, AB (company code 110870890, registered office P. Lukšio 5B, LT-08221, Vilnius) held on October 23, 2009, 10 a.m., adopted the following decisions:

"1. The item of agenda: Regarding approval of the new wording of the Bylaws of Rytų skirstomieji tinklai, AB.
Adopted decision:
1.1. To approve the new wording of the Bylaws of Rytų skirstomieji tinklai, AB.
1.2. To authorize the Chief Executive Officer of Rytų skirstomieji tinklai, AB to sign the new wording of the Bylaws of Rytų skirstomieji tinklai, AB set forth by the Law and to perform other necessary actions abiding by the procedure to registry thereof in the Register of Legal Entities under the procedure established by legislation."

2. The item of agenda: Concerning dissolution of the Supervisory Board of Rytų skirstomieji tinklai, AB.
Adopted decision:
„Dissolute the Supervisory Board of Rytų skirstomieji tinklai, AB collegial supervisory body - Supervisory Board - and to recall its members. To determine, that the term of office of the Supervisory Board members shall terminate from the approval of resolution."

3. The item of agenda: Concerning election of the Board of Rytų skirstomieji tinklai AB.
Adopted decision:
3.1. To elect the following persons to the Board of Rytų skirstomieji tinklai AB for the remaining term of the Board that abandoned its duties:
- Mr. Vytautas Vazalinskas
- Mr. Mario Nullmeier.
3.2. To determine, that the newly elected Board of Rytų skirstomieji tinklai shall start its activities just after registration of the new wording of the Bylaws of Rytų skirstomieji tinklai AB in the Register of Legal Entities."

4. The item of agenda: Concerning the contracts with the members of the Board of the Company, concerning the activities of the member of the Board of the Company.
Adopted decision:
"Not to conclude the contracts with the members of the Board of the Company, concerning the activities of the member of the Board of the Company."

5. The item of agenda: According the approval of the supplements and replacements of 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report.
Adopted decision:
"To approve the supplements and replacements of 2008 Rytų skirstomieji tinklai, AB Consolidated Annual Report (attached)."

6. The item of agenda: Concerning the approval Rytų skirstomieji tinklai AB could guarantee for credit institutions for any obligations of the subsidiaries.
Adopted decision:
„To approve Rytų skirstomieji tinklai AB could guarantee for credit institutions for any obligations of the subsidiaries (total sum of guarantee up to 10 000 000 LTL, the term of guarantee up to 2 years)."

30.10.2009 Regarding the electricity distribution price cap

The National Control Commission for Prices and Energy during the session held on October 29th ratified the distribution price caps for public limited company Rytų skirstomieji tinklai for the year 2010:
• for distribution services in medium - voltage networks 5.41 ct/kWh or 1.57 EUR cents/kWh;
• for distribution services in low - voltage networks 7.98 ct/kWh or 2.31 EUR cents/kWh
At the moment actual price of distribution services in medium-voltage networks is 4.3 ct/kWh or 1.25 EUR cents/kWh, and in low-voltage networks the price of distribution services is 8.1 ct/kWh or 2.35 EUR cents/kWh.
For more information, please visit the website of the National Control Commission for Prices and Energy http://www.regula.lt.

30.10.2009 Preliminary unaudited operating results of RST company group for the three quarters of 2009

Preliminary unaudited operating results of Rytų Skirstomieji Tinklai AB company group for the three quarters of 2009 is a net loss of LTL 23.8 million (EUR 6.9 million) according to International Financial Reporting Standards. Loss before taxes of the Group - LTL 28.6 million (EUR 8.3 million).
Over three quarters of 2009 the operating income of the Group reached LTL 862.6 million (EUR 249.8 million).
Investments of Rytų Skirstomieji Tinklai AB made up LTL 101.9 million (EUR 29.5 million) over this period.
A loss incurred by the Group was determined by a decrease in the value of tangible fixed assets.

04.11.2009 Regarding information, published in the media

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

19.11.2009 Chairman of the Management Board of RST AB elected

The Management Board of Rytų skirstomieji tinklai AB has elected Mr. Henrikas Bernatavičius as a Chairman of the Management Board of Rytų skirstomieji tinklai AB.

26.11.2009 Regarding electricity prices

At the meeting held on 26th of November, 2009, the National Control Commission for Prices and Energy (NCCPE) decided to announce the electricity and transmission service prices supplied by Rytų Skirstomieji Tinklai, AB for the year 2010.
As of 1st of January, 2010, the electricity price for household consumers will increase approximately by 9 LTC/kWh (without VAT) for industrial and commercial customers - approximately by 7 LTC/kWh (without VAT). The prices shall be promulgated by NCCPE in accordance with the legal acts.

The electricity price boost in 2010 is determined by production cost increase by 9 LTC/kWh due to the Ignalina Nuclear Power Plant closing. For more information, please visit the website of the National Control Commission for Prices and Energy http://www.regula.lt.

04.12.2009 Concerning the loan to LEO LT, AB

04.12.2009 Concerning the loan to LEO LT, Rytų skirstomieji tinklai, AB (hereinafter - the Company), in accordance with the decision of the Management Board of the Company, has granted a loan to LEO LT, AB in amount of LTL 70 million (seventy million).
LEO LT, AB owns 71.35 percent of Rytų skirstomieji tinklai, AB shares.

04.12.2009 Regarding the signature of agreement with NDX Energija, UAB

On December 4, 2009 the Lithuanian Government and NDX Energija, UAB signed the agreement regarding liquidation LEO LT, AB and cancellation of agreement for the establishment of national investment company. Regarding this agreement, the Lithuanian Government basically became the sole shareholder of LEO LT, AB.
LEO LT, AB owns 71.35 percent of Rytų skirstomieji tinklai, AB shares.

11.12.2009 The Extraordinary General Meeting of Shareholders of RST AB is held on January 4, 2010

The Extraordinary Meeting of of Rytų Skirstomieji Tinklai, AB (company code 110870890 registered office at P. Lukšio 5B, LT-08221, Vilnius), will take place on January 4, 2010, at 10 a.m. in Vilnius, Lukšio 5B.
The meeting is convened on the initiative of the Shareholder of Rytų Skirstomieji Tinklai AB (LEO LT, AB) and by the resolution of the Management Board of Rytų Skirstomieji Tinklai AB (2009 12 11 the minutes of the Board). Agenda of the Extraordinary General Meeting of Shareholders:
1. Concerning preparation of reorganization conditions for Rytų skirstomieji tinklai, AB and “VST”, AB by the way of merger.

The account date of the Extraordinary General Meeting of Shareholders: the 24th of December, 2009. Shareholders, that own Rytų skirstomieji tinklai, AB shares on the end of the working day of 24th of December, 2009, shall have the right to participate in convened Extraordinary General Meeting.
Registration starts: January 4th, 2010, 9.30 AM.
Registration ends: January 4th, 2010, 9.55 AM.

Shareholders who participate in the Extraordinary General Meeting of Shareholders must submit an identity document.
Please be informed that each shareholder may authorize either a natural or a legal person to participate and to vote on the shareholder's behalf at the Extraordinary General Shareholders Meeting. The authorized persons must have documents, confirming their personal identity and power of attorney, approved in the manner, specified by law, which must be submitted to the Company, address P. Lukšio 5B, Vilnius (4th floor) no later than before the end of registration for the Extraordinary General Shareholders Meeting. The authorized persons at the Extraordinary General Meeting of Shareholders shall have the same rights as represented shareholder. Shareholder's right to attend the Extraordinary General Meeting of Shareholders also includes the right to ask.

Please be informed that the agenda of the Extraordinary General Meeting of Shareholders may be supplemented by initiative of shareholders, who own shares no less than 1/20 of all votes. Proposals to the agenda of the Extraordinary General Meeting of Shareholders may be submitted by e-mail vaida.genyte@rst.lt or delivered to the Company's registered office at P. Lukšio 5B 12, Vilnius (4th floor) no later than the 21th of December, 2009. Along with a proposal to supplement the agenda of the Extraordinary General Meeting of Shareholders must be submitted the drafts of proposed decisions or, if the decisions shall not be adopted, explanations on each of the proposed issue.

Please be informed that shareholders, who own shares no less than 1/20 of all votes own the right at any time before the Extraordinary General Meeting of Shareholders or during the meeting in writing or by e-mail vaida.genyte@rst.lt propose new draft decisions on the issues already included or to be included in the agenda of the Extraordinary General Meeting of Shareholders. This proposal should be filled in writing and delivered to the Company by registered mail, or in person address P. Lukšio 5B, Vilnius (4th floor). The proposal, submitted during the Extraordinary General Meeting of Shareholders, must be filled in writing and delivered to the secretary of the Extraordinary General Meeting of Shareholders.

Shareholders own the right to ask the questions, concerning the agenda of the Extraordinary General Meeting of Shareholders, held on the 4 of January, 2010.
Questions may be submitted by e-mail vaida.genyte@rst.lt or delivered directly to the Company's registered office at P. Lukšio 5B, Vilnius (4th floor) not later than 28th of December, 2009.
Please be informed, that the Company may refuse to answer to shareholder's questions if they are concerned to the commercial (industrial) secrets or other confidential information, informing the shareholder on the refusal to provide asked information, except if it is not possible to set the shareholder's identity.

Please be informed, that on decisions which are included into the Extraordinary General Meeting of Shareholders agenda can be voted in writing by completing the general voting bulletin. If shareholder requests, the Company shall send the general voting bulletin to the requesting shareholder by registered mail or shall deliver it in person against signature no later than 10 days prior to the Extraordinary General Meeting of Shareholders free of charge. The filled general voting bulletin must be signed by the shareholder or its authorized representative. Document, confirming the right to vote, must be added to the general voting bulletin, if authorized person is voting. The duly completed general voting bulletin must be delivered to the Company by registered mail address P. Lukšio 5B, Vilnius (4th floor), or in person against signature, no later than before the commencement of registration for the Extraordinary General

Meeting of Shareholders. The Company reserves the right not to include in the shareholder vote, if the general voting bulletin does not meet the third and fourth parts of the 30 Article of Law on Companies requirements or the general voting bulletin is written in a way that it is impossible to establish shareholder's will on a separate issue.

The shareholders at the Extraordinary General Meeting can't participate and vote by electronic means.
Documents, concerning the agenda of the Extraordinary General Meeting of Shareholders, the drafts of decisions of each agenda question, documents to be submitted to the Extraordinary General Meeting of Shareholders, and other information, related to Shareholders rights, shareholders can access in the company's office during working hours.
More information about the Extraordinary General Meeting of Shareholders of Rytų skirstomieji tinklai, AB (the draft decisions of the Extraordinary General Meeting of Shareholders, power of attorney to represent at the Extraordinary General Meeting of Shareholders, voting bulletin of the Extraordinary General Meeting of Shareholders, etc.) also this notice, can be found on the web page of the company http://www.rst.lt/.

11.12.2009 Regarding the draft resolution of the Extraordinary General Meeting of Shareholders of RST AB

According to the decision of the Board of Rytų skirstomieji tinklai, AB (company code 110870890, registered office P. Lukšio 5B, LT-08221, Vilnius) the Extraordinary General Shareholders Meeting of Rytų skirstomieji tinklai, AB is held on January 4th, 2010 and shall take place at the office of the company P. Lukšio 5B, Vilnius, 6th floor, at 10.00 a.m.

The shareholders will be asked to approve the following items:
1. Concerning preparation of reorganization conditions for Rytų skirstomieji tinklai AB and "VST", AB by the way of merger.
Draft resolution:
„To assign the preparation of conditions of reorganization of Rytų skirstomieji tinklai, AB and "VST", AB by the way of merger to the Management Boards of Rytų skirstomieji tinklai, AB and "VST", AB."

Initiator of the shareholders meeting: LEO LT, AB.
The account date of the Extraordinary General Meeting of Shareholders: the 24th of December 2009. Shareholders that own Rytų skirstomieji tinklai, AB shares on the end of the working day of 24th of December, 2009, shall have the right to participate in convened Extraordinary General Meeting.
Registration starts: January 4th, 2010, 9.30 a.m.
Registration ends: January 4th, 2010, 9.55 a.m.

More information about the Extraordinary General Meeting of Shareholders of Rytų skirstomieji tinklai, AB (the draft decisions of the Extraordinary General Meeting of Shareholders, power of attorney to represent at the Extraordinary General Meeting of Shareholders, voting bulletin of the Extraordinary General Meeting of Shareholders and other information) can be found on the web page of the company http://www.rst.lt/

General Manager Arvydas Tarasevičius

Rytų Skirstomieji Tinklai AB
Report on Compliance with the Governance Code of Companies Listed on NASDAQ OMX Vilnius

Annex 1

Disclosure form concerning the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius

The public company Rytų skirstomieji tinklai, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

Comment: Information published in disclosure form is updated 31st of December 2009, unless the text refers differently.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The main development directions and strategy of the Company are made public on the Company's website and the Company's annual and transitional reports.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Company's Board make the most important strategic decisions affecting the optimisation of shareholder value (improving the Company's functions and its structure, as well as performing other actions contributing to the Company's business efficiency and reduction of costs). The General Manager and the Board of Managers constituted by the General Manager organize and fulfil Company's economical and financial proceedings.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Not applicable	Before the change in the Articles of Association (changed in the General Meeting of Shareholders of the Company on 23rd of October, 2009, registered on 29th of October, 2009) the Company had the Supervisory Board, the Board and the General Manager. After the change, Supervisory Board was eliminated. The Board seek to attain the maximum benefit for the Company's shareholders. Sittings of the Board are held regularly to provide information about the proceedings of the Company.
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,	Yes	The bodies of the Company respect the rights and interests of persons involved in or related to the Company's operation: 1. Since the date of the Company's establishment, the

suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.		Company has cooperated and maintained social partnership with the representatives of the Company employees (allocating funds for implementing a collective agreement and offering incentives for employees, etc.). 2. The Company fulfils its financial and other commitments assumed under the borrowing programme approved by the Company's Board. 3. The Company takes measures for improving services provided to electricity consumers and other persons (development of customer service channels on the Internet (through the Company's website) and by telephone (introducing a short dial number and a contact centre), as well as ensuring a better customer service at the Company's structural units). 4. The Company organizes social projects, involving children, youth, local communities and other social groups. Detail information about the initiatives of the Company is published on the Company's website and annual report.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	Before the change in the Articles of Association (changed in the General Meeting of Shareholders of the Company on 23rd of October, 2009, registered on 29th of October, 2009) the Company had the Supervisory Board, the Board and the General Manager. After the change, Supervisory Board was eliminated, but the Board and General Manager still function. In order to help the General Manager to organize and fulfil Company's economical and financial proceedings, on 7th of December 2009 the Board of Managers was established. The Board of Managers includes the General Manager, his deputies and the director of finance department.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes No	Functions indicated in recommendations are fulfilled by the Board. The Supervisory Board in the Company is not established. See paragraph 2.1.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	After the change of the Articles of Association on 23rd of October, 2009, the Supervisory Board in the Company is not functioning. See the comment made to paragraph 2.1.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the	Yes/No	The Company is not fully compliant with the recommendations laid down under Principles III and IV, yet the Company meets all the requirements for setting up a supervisory collegial body provided for in the legislation. Admittedly, the Company carries out electricity

board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]		distribution and supply and therefore its operation is strictly regulated by the legislation and monitored by appropriate state bodies (National Control Commission for Prices and Energy, etc.). This practice ensures transparency and effectiveness of decision-making, as well as implementation of the principles of non-discrimination of the Company's consumers and saving its costs. Supervisory Board in the Company is not constituted. See paragraph 2.1.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	According to the 33[rd] Article of Association the Board is set up by 5 (five) members. Company considers that this number of members is sufficient to ensure operative and effective decision making. The Board makes decisions in the sittings. The sitting of the Board is considered accomplished when non the less than 4 members participate. The decision is held accepted when more than a half of the members of the Board vote for it.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Not applicable	The Supervisory Board in the Company is not established. See comment made to paragraph 2.1. The Company's Board is elected for a term of 4 years. The duration of the term of office for members of the Board is the maximum provided for in the Law on Companies of the Republic of Lithuania. The General Meeting of Shareholders of the Company is entitled to recall both the whole Board and its individual members prior to the expiry of their term of office.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Board and the chairperson are elected according to the Law on Companies of the Republic of Lithuania. The General Manager is not elected as the chairperson.

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

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

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Board is elected by the General Meeting of Shareholders of the Company, according to the Law on Companies of the Republic of Lithuania.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes/No	The information about the candidates to the position of the Board for the shareholders is provided in order established by the Law on Companies of the Republic of Lithuania. According to 37th article of Articles of Association every candidate to the position of the Board must provide the declaration of the candidate's interests for the General Meeting of Shareholders of the Company, including the circumstances which could be the cause of the conflict between the interests of the candidate and the Company. If new circumstances would rise, the member of the Board must immediately inform the Company and the Board about these circumstances. The information about the positions presently held by members of the Board and their participation in the activities of other companies is regularly collected, stored and presented in the Company's annual report and website. The information about the candidates to the position of members of the collegial body is usually provided to shareholders during the General Meeting of Shareholders of the Company.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The information about the candidates to the position of the Board for the General Meeting of the Shareholders of the Company is provided in order established by the Law on Companies of the Republic of Lithuania The General Meeting of the Shareholders of the Company provides information about the work experience, current positions, competences and other relevant information about the candidates to become members of the Board. The annual report provides information about the composition of the Board and the positions held by its members.
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly.	No	Pursuant to the Law on Companies of the Republic of Lithuania, in cases when the supervisory board is not established, the Board is elected and its qualifications are assessed by the General Meeting of Shareholders of the Company. The Board cannot decide on its composition.

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

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 No	The audit committee in the Company is not established. See comment made to paragraph 4.14. The remuneration committee in the Company is not constituted. See comment made to paragraph 4.14.
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	There has been no need or practice so far at the Company to offer a tailored program to all new members of the Board to learn about their position, the company's organisation and operation. Admittedly, members of the Board are regularly informed about the Company's operation during the meetings of the Board and individually, as requested by the members.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	No	The Articles of Association of the Company do not specify that the Board should consist of a certain number of independent members. The composition of the Board (as well as election of independent members to the Board) falls within the remit of competence of the General Meeting of Shareholders of the Company.
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: 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;	No	The Company's Board has not established any specific criteria for the assessment of the level of independence, because no need for that has been identified. See also comments made to paragraph 3.6 herein.

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

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

2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not 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; 4) 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; 5) 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); 6) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 7) 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; 8) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 9) 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; 10) He/she has not been in the position of a member of the collegial body for over than 12 years; 11) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances	 No	 See comment made to paragraph 3.6 herein.
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	No	The Company does not apply the key criteria for the assessment of independence of the members of the Board as set forth in this recommendation; therefore, no conclusions have been made public so far in relation to the assessment of independence of the members of the Board.

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.		
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	See comments made to paragraph 3.9 herein.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	The Company's members of the Supervisory Board (before 29th of October 2009) and the members of the Board (after 29th of October 2009) are not remunerated from the Company's funds, therefore, this provision is not relevant for the Company.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	The Board elected at the Company provides comments and proposals to the General Meeting of Shareholders of the Company about the Company's financial statement, proposed profit appropriation, annual report, performance of the Board and the General Manager. In addition, it performs the other functions that fall within the competence of the Board.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a	Yes No	All members of the Board act in good faith and in the interests of the Company. Admittedly, pursuant to the rules of procedure of the Board, every member of the Board is able to express his opinion about all questions of agenda. The level of independence of the Board is not assessed, see comments made to paragraphs 3.6.

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

[7] See Footnote 3.

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

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 company-not-pertaining body (institution).		
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Members of the Company's Board actively participate in the meetings of the collegial body and spare enough time to fulfil his responsibilities. Members of the Board taking part in the meeting are registered in minutes of the meeting.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The shareholders are notified about the Company's strategy, risk management and conflict of interest in compliance with the procedure established by law. The role of the members of the Board in communication with shareholders and making commitments is determined thereto in compliance with the requirements established by Law on Companies of the Republic of Lithuania.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes No	The managing bodies of the Company make decisions and confirm them pursuant to applicable law and Articles of Association. The level of independence of the members of the Board is not assessed; see comments made to paragraphs 3.6 and 3.7 herein.
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	Yes	The company's Board is independent in taking decisions which are significant for the operation and strategy of the Company.

[9] It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.
[10] In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

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 advice the human resources department, executive directors or collegial management organs of the company concerned.	 Yes No	 The Company ensures sufficient resources for the Board (providing technical services during the meetings of the Board and giving it all the necessary information). See comment made to paragraph 4.13.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees[11]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No No	The level of independence of the members of the Board is not assessed; see comment made to paragraph 3.6 herein. Committees in the Company are not established. According to the Company the activity of the Board is effective and well organized so the Board can implement all functions, imposed for the committees. Pursuant to the Law on Audit of the Republic of Lithuania, public interest company, which is daughter enterprise and which financial reports are consolidated, may not follow the terms of Law on Audit of the Republic of Lithuania, which requires to establish the committee of audit, if Parent company establishes such committee. Since Parent company LEO LT, AB established committee of audit, separate committee in the Company was not established. Considering the fact that on 31st of December 2009 decision to liquidate LEO LT, AB came into force, in Parent company the members of supervisory board (and also members of committee of audit) were recalled and Company's Board decided to give to deliberate the question of establishment of committee of audit and electing it's members for the proximate General Meeting of Shareholders of the Company.

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

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees 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.	No	Committees in the Company are not established. See comments made to paragraphs 4.7, 4.12, 4.13 and 4.14.
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. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	Committees in the Company are not established. See comments made to paragraphs 4.7, 4.12, 4.13 and 4.14.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	Committees in the Company are not established. See comments made to paragraphs 4.7, 4.12, 4.13 and 4.14.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of	No	Committees in the Company are not established. See comments made to paragraphs 4.7, 4.12, 4.13 and 4.14.

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.		
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • 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; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	The Company does not have a nomination committee and its functions are performed by the Remuneration and Nomination Committee set up the parent company LEO LT, AB. The rights and duties as well as the work organisation of the Committee are laid down in the rules of procedure of the supervisory board of LEO LT, AB. The main functions of the Remuneration and Nomination Committee include the following: - assess and make proposals concerning the long-term remuneration and bonus policy of subsidiaries; - assess the search and selection procedure of members of the bodies of subsidiaries and establishment of qualification requirements, etc.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • 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; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order	No	Company does not have a Remuneration Committee. See comment made to paragraph 4.7.

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; • 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; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • 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); • 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. 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: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • 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); • 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; • 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; 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; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting	No	See comment made to paragraph 4.7. Pursuant to Law on Audit of Republic of Lithuania, public interest company, which is daughter enterprise and which financial reports are consolidated, may not follow the terms of Law on Audit of the Republic of Lithuania, which requires to establish the committee of audit, if Parent company establishes such committee. Since Parent company LEO LT, AB established committee of audit, separate committee in the Company was not established. Considering the fact that on 31st of December 2009 decision to liquidate LEO LT, AB came into force, in Parent company the members of supervisory board (and also members of committee of audit) were recalled and Company's Board of Directors decided to give to deliberate the question of establishment of committee of audit and electing it's members for the proximate General Meeting of Shareholders of the Company.

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. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures,	No	The Company has not had any practice of performing a formal self-assessment. The activities of the Company and Company's Board are assessed by the Company shareholders in compliance with the procedure established by law.

and specify what material changes were made as a result of the assessment of the collegial body of its own activities.		
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	Pursuant to the rules of procedure of the Board, and relevant practice the Company is in compliance with the recommendation.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[12].	Yes	Pursuant to the rules of procedure, the meetings of the Company's Board should be conducted at least once per quarter. In period between 1st of January 2009 and 29th of October 2009 5 meetings of Supervisory Board were conducted. In period between 29tf of October 2009 and 1st of March 2010 5 meetings of the Board were conducted.
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	Pursuant to the rules of procedure of the Board, members of the board and other invited persons are notified about the convention of the meeting five days in advance, and they are provided with all the necessary documents relating to the agenda of the meeting.

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

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Not applicable	Coordination of operation of collegial bodies is not relevant, because of the fact that only the Board operates in the Company.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's authorised share capital consists of ordinary registered shares with par value of LTL 1 each that grant the same property and non-property rights to their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company's Articles of Association, which are publicly available on the Company's website, specify the rights granted by shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	Article 32 of the Company's Article of Association lays down criteria of important transactions according to which transactions requiring approval of the General Meeting of Shareholders of the Company are established.
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	The Company convenes the General Meeting of Shareholders of the Company and implies other procedures of this meeting in terms of Law of Companies of the Republic of Lithuania.

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

6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Company places information about convening General Meeting of Shareholders of the Company and other documents related to this meeting in terms of the Law on Companies of Republic of Lithuania. The decisions taken by the General Meeting of Shareholders of the Company are placed on the Company's website in English and 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 completing the general voting ballot.	Yes	The Company shareholders can exercise their right to take part in the General Meeting of Shareholders of the Company both personally and by proxy provided that such proxy has been duly authorised or an agreement on the assignment of voting rights has been signed in accordance with the procedure prescribed by law. The Company provides its shareholders with an opportunity to vote by completing the general voting ballot as prescribed by the Law on Companies.
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/Yes	Currently according to Company there is no need to organize voting processes using the terminal equipment of telecommunications, which also would request large investments. Upon the shareholders' request, the Company could provide an opportunity for the shareholders to vote using the terminal equipment of telecommunications.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	**Yes**	The Company complies with these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	**Yes**	The Company complies with these recommendations.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	**Yes**	The Company complies with these recommendations.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	**Yes**	A member of the Company's Board is required to abstain from voting when it involves decisions concerning his/her activities or responsibilities at the board (paragraph 9.4 of rules of procedure of the Board). Moreover, laws prescribe that members of the Company's bodies should avoid situations where their personal interests are or may be in conflict with the interests of the Company.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	**No**	The statement about the Company's remuneration policy and the order of confirmation, revision and publication of remuneration of directors according to relevant practice is not formulated. This request is not stated in Lithuanian Law. The general information about the Company's remuneration policy and the average remuneration of individual employees is published in the Company's annual report.

8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	**No**	See the comment made to paragraph 8.1. The annual report does not provide information about the remuneration policy of the Company directors for the subsequent years. The annual report provides information about the total amount of remuneration calculated for the members of the Company's supervision and governance bodies (remuneration, other benefits, bonuses and profit payments).
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • 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; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.	**No**	See comment made to paragraph 8.1. The annual report includes information about the total amount of remuneration calculated for the members of the Company's supervision and governance bodies (remuneration, other benefits, bonuses and profit payments), information about any property transferred or guarantees provided to the members of the governance bodies.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	**No**	See comment made to paragraph 8.1.

8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • 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; • The remuneration and advantages received from any undertaking belonging to the same group; • 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; • 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; • 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; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • 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; • 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; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts	**No**	See comment made to paragraph 8.1.

that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	**No**	See comment made to paragraph 8.1.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	**No**	See comment made to paragraph 8.1.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	No	See comment made to paragraph 8.1.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	See comment made to paragraph 8.1.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	See comment made to paragraph 8.1.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	See comment made to paragraph 8.1.

8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	See comment made to paragraph 8.1.
8.13. Shares should not vest for at least three years after their award.	No	See comment made to paragraph 8.1.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	No	See comment made to paragraph 8.1.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	No	See comment made to paragraph 8.1.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	No	See comment made to paragraph 8.1.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	See comment made to paragraph 8.1.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	See comment made to paragraph 8.1.

8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	See comment made to paragraph 8.1.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
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.		
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.		

8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company's corporate governance system ensures that the rights of stakeholders protected by law are respected.
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	For instance, the Company employees are involved in consultations, negotiations and meetings concerning the issues related to the operational optimisation processes in the Company. Under a collective agreement signed with representatives of the Company's employees, the Company should notify immediately the trade union representatives about the changes anticipated in the Company, its financial status, etc. The stakeholders may take part in the corporate governance inasmuch as it is provided for by laws.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company complies with these recommendations.
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:		In Company's annual report Company publishes information about shareholders, which owns more than 5

• 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 Yes Yes Yes/No Yes Yes Yes Yes Yes	percent of issuers authorized capital. In Company's annual report Company discloses information about the members of the bodies and General Manager. Information about their remunerations is not published. See comment made to paragraph 10.3. Information described in paragraphs 4 and 6 of these recommendations is published in the amount, required by applicable law and requests for preparing annual financial reports. The Company discloses information required by this recommendation in a number of ways: 1. Publishes information about essential (e.g. changes in the Company's governance structure, newly elected members to the supervisory and governance bodies, the Company's financial performance, etc.); 2. Places information on the publicly accessible website of the Company (e.g. about the Company's objectives); 3. Publishes information in the annual report (e.g. about the members of the Company's supervisory and governance bodies, General Manager and their remuneration, potential risk factors, etc.).
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	The Company discloses information about the consolidated results of the whole group (i.e. the results of Rytų Skirstomieji Tinklai AB and its subsidiaries).
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes No	This information is published in the Company's annual report and on the Company's website. Information about the remuneration or other payments from the Company for every member of the Board and General Manager is not published, because, according to Company it is not expedient, also it is not compulsory according to the applicable law. The Company in its annual report discloses information about remunerations and other payments paid in reporting cycle, their total amount and average amount, for one member of the Board and administration.
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.	Yes	Information, mentioned in 7 paragraph of recommendation 10.1. is published in the amount, which is compulsory according to applicable law. The Company's provides information about the relations between the Company and its stakeholders in press releases and on the Company's website.