Joint Stock Company „VST”
Financial statements for the year 2005 prepared according to International Financial Reporting Standards presented together with independent auditor's report

CONTENTS

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF JOINT STOCK COMPANY VST

We have audited the accompanying balance sheet of JSC VST (hereinafter "the Company") as of 31 December 2005 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2005 and the results of their operations and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

UAB "ERNST & YOUNG BALTIC"
Audit company's licence No. 000514

Jonas Akelis Auditor's licence No. 000003	Ramūnas Bartašius Auditor's licence No. 000362

The audit was completed on 24 February 2006.

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

Income statement

	Note No.	Year ended 31 December 2005	2004
Sales	3	842 781	718 360
Other operating income	4	3 964	7 070
		846 745	725 430
Purchases of electricity		(451 164)	(428 639)
Depreciation and amortisation		(212 095)	(157 600)
Wages, salaries and social security		(57 330)	(54 646)
Repair and maintenance expenses		(14 144)	(7 921)
Spare parts and other inventories		(13 740)	(12 195)
Utilities and communications expenses		(6 147)	(6 265)
Other operating expenses	5	(32 206)	(45 920)
		(786 826)	(713 166)
Operating profit (loss)		**59 919**	**12 264**
Financial income (expenses), net	6	(12 199)	(1 840)
Profit (loss) before tax		**47 720**	**10 424**
Current year income tax expenses	18	(37 958)	(24 208)
Deferred income tax benefit	18	38 710	19 702
Net profit (loss)		**48 472**	**5 918**
Basic and diluted earnings (loss) per share, in LTL	8	13.04	1.59

The financial statements presented on pages 4 to 25 were approved by the General Director and Financial Department Director on 24 February 2006. The shareholders of the Company have a statutory right to amend the financial statements after the issue.

Darius Nedzinskas
General Director

(signature)

Antanas Poška
Financial Department Director

(signature)

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

Balance sheet

	Note No.	As of 31 December 2005	2004
ASSETS			
Non-current assets			
Property, plant and equipment	9	2 164 243	2 255 645
Intangible assets	10	666	1 395
		2 164 909	2 257 040
Current assets			
Inventories	11	13 701	7 158
Trade and other receivables	12	67 474	54 380
Prepayments, deferred charges and accrued income	13	9 252	7 803
Cash and cash equivalents	14	199 300	146 971
		289 727	216 312
Total assets		**2 454 636**	**2 473 352**
EQUITY			
Share capital	15	111 540	3 718
Revaluation reserve (result)	2.16	1 193 837	1 422 189
Legal reserve	2.16	11 154	29 866
Retained earnings (deficit)		161 317	99 467
Total equity		1 477 848	1 555 240
LIABILITIES			
Non-current liabilities			
Borrowings	16	388 801	423 537
Deferred income	17	98 787	55 997
Deferred income tax liability, net	18	234 239	265 169
		721 827	744 703
Current liabilities			
Borrowings	16	100 414	73 551
Trade and other payables	19	112 673	70 613
Advances, accrued charges and deferred income	20	18 998	9 586
Income tax payable		22 876	19 659
		254 961	173 409
Total liabilities		976 788	918 112
Total equity and liabilities		**2 454 636**	**2 473 352**

Darius Nedzinskas
General Director

(signature)

Antanas Poška
Financial Department Director

(signature)

The notes on pages 8 to 25 are an integral part of these financial statements

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

Cash flow statement

	Note No.	Year ended 31 December 2005	2004
Cash flow from operating activities			
Net profit (loss)		48 472	5 918
Adjustments for non-cash items:			
- Income tax	18	(752)	4 506
- Depreciation and amortisation	9,10	212 461	157 960
- Depreciation of property, plant and equipment received at no consideration	17	(366)	(360)
- Recognition of income from the connection of new customers	3	(2 412)	(1 789)
- Accounting of property, plant and equipment identified during the inventory count	4	-	(3 884)
- Accrued income from electricity sales	13	-	(521)
- Proceeds from sales of property, plant and equipment	4	(154)	(190)
- Write-offs and impairment of property, plant and equipment and intangible assets	5	8 683	7 325
- Impairment of receivables and prepayments	5	1 041	6 388
- Write-down of inventories	5	(9)	3 743
- Accrued wages, salaries and social security expenses	20	14 273	1 212
- Net (profit) loss from transactions in foreign currencies	6	14	(80)
- Interest income	6	(4 262)	(703)
- Interest expenses	6	16 760	2 853
- Other income		(39)	-
		293 710	182 378
Changes in working capital:			
- Inventories	11	(6 012)	9 869
- Receivables, prepayments, deferred charges and accrued income	12, 13	(15 400)	2 569
- Deferred income	17	34 403	14 763
- Payables, advances received, accrued charges and deferred income	17, 19, 20	45 336	(26 637)
Cash flow from operations	22	352 037	182 942
Interest received	6	4 034	703
Interest paid	6	(16 538)	(2 795)
Income tax paid	19	(34 702)	(15 211)
Net cash flows from operating activities		**304 831**	**165 639**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(121 616)	(26 717)
Purchase of intangible assets	10	(186)	(218)
Proceeds from sale of property, plant and equipment		653	846
Loan repayments received		44	93
Net cash flows from investing activities		**(121 105)**	**(25 996)**
Cash flows from financing activities			
Loans repaid	16	(103 812)	-
Payments of financial lease	16	(40)	(45)
Dividends and payments related to share capital decrease paid		(27 531)	(2)
Net cash flows from financing activities		**(131 383)**	**(47)**
Effects of exchange rate changes on cash balance	6	(14)	80
Net increase (decrease) in cash and cash equivalents		**52 329**	**139 676**
Cash and cash equivalents at beginning of year	14	146 971	7 295
Cash and cash equivalents at end of year		**199 300**	**146 971**

Darius Nedzinskas
General Director

(signature)

Antanas Poška
Financial Department Director

(signature)

The notes on pages 8 to 25 are an integral part of these financial statements

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

Statement of changes in equity

	Share capital paid	Revaluation reserve for property, plant and equipment	Legal reserve	Other reserves	Retained earnings (deficit)	Total
Balance as at 31 December 2003	**405 262**	**1 504 105**	**29 866**	**19 386**	**(7 753)**	**1 950 866**
Decrease of the share capital	(401 544)	-	-	-	-	(401 544)
Transfer from other reserves to retained earnings	-	-	-	(19 386)	19 386	-
Transfer from revaluation reserve to retained earnings	-	(81 916)	-	-	81 916	-
Net profit for the reporting period	-	-	-	-	5 918	5 918
Balance as at 31 December 2004	**3 718**	**1 422 189**	**29 866**	**-**	**99 467**	**1 555 240**
Increase of the share capital (Note 15)	107 822	(107 822)	-	-	-	-
Transfer from legal reserve to retained earnings (Note 15)	-	-	(18 712)	-	18 712	-
Transfer from revaluation reserve to retained earnings		(112 750)	-	-	112 750	-
Impact of deferred income tax to revaluation reserve, due to change in income tax rates (Note 18)	-	(7 780)	-	-	-	(7 780)
Dividends paid for 2004 (Note 7)	-	-	-	-	(118 084)	(118 084)
Net profit for the reporting period	-	-	-	-	48 472	48 472
Balance as at 31 December 2005	**111 540**	**1 193 837**	**11 154**	**-**	**161 317**	**1 477 848**

Darius Nedzinskas
General Director

(signature)

Antanas Poška
Financial Department Director

(signature)

The notes on pages 8 to 25 are an integral part of these financial statements

Notes to the financial statements

1 General information

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

The shares of the Company are traded on the official list of the National Stock Exchange.

As of 31 December 2005 and 2004, the shareholders of the Company were as follows:

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

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

The average number of the Company's employees was 1 998 in 2005 (2 156 in 2004).

2 Summary of accounting policies

2.1 Basis of preparation

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

IFRSs and IFRIC Interpretations not yet effective

The Company has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

IFRS 6 Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006);
IFRIC 4 Determining whether an Arrangement contains a Lease (effective from 1 January 2006);
IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006);
IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflatory Economies (effective from 1 March 2006);
IFRS 1 - amendments to IFRS 1 First-time Adoption of IFRS and the Basis for Conclusions of IFRS 7 - Financial instruments: Disclosures (effective from 27 January 2006);
IAS 1 - Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 27 January 2006);
IAS 39 & IFRS 4 - Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts - Financial Guarantee Contracts (effective from 27 January 2006);
IFRIC 6 - IFRIC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment (effective from 27 January 2006).

The Company expects that adoption of the pronouncements listed above in the future will have no significant impact on the Company‘s financial statements.

Financial year of the Company coincides with the calendar year.

2.2 Foreign currency translation

Measurement currency

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

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

Transactions and balances

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

2.3 Segment reporting

The Company operates in one geographical and business segment, therefore no segment information is presented in these financial statements.

2.4 Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to the estimation of accrued revenue depreciation, allowances and impairment evaluation. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.5 Revenue recognition

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

Electricity sales revenue

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

Revenue on electricity sales to business customers are recognised when services are rendered based on the actual usage of the electricity.

Customers' connection fees

Contributions received from new customers for assets installed in order to connect to the Company's service initially are recognised as deferred revenue and subsequently recognised as income over the same period during which the related costs of installation are charged. The related costs of installation, which include cost of property, plant and equipment and other costs are capitalised and depreciated over the estimated useful lives of the capitalised assets.

Other revenue

Interest, rental and other revenue is recognised on an accrual basis. Other revenue is recognised upon delivery of products or performance of services and customer acceptance, if any.

2.6 Income tax

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 for the companies in the Republic of Lithuania is 15%. In 2006 and 2007 the temporary social tax will be applied, for which the base of calculation is the same as the base for income tax, therefore the actual income tax rate applied in 2006 and 2007 will be 19% and 18% respectively. After the year 2007 the income tax applied to the companies in the Republic of Lithuania will be standard, i.e. 15%. Tax losses can be carried forward for 5 consecutive years, except for the losses incurred as a result of disposal of securities and (or) derivative financial instruments that can be carried forward for 3 consecutive years. The losses from disposal of securities and (or) derivative financial instruments can be only used to reduce the taxable income earned from the transactions of the same nature.

2.7 Basic and diluted earnings (loss) per share

Basic earning (loss) per share is calculated by dividing the net profit (loss) attributable to the shareholders by the weighted average of ordinary registered shares issued. Provided that the number of shareholders changes without causing a change in the economical resources, the weighted average of ordinary registered shares is adjusted in proportion to the change in the number of shares as if this change took place at the beginning of the previous period presented. Since there are no instruments reducing earning (loss) per share, there is no difference between the basic and diluted earning (loss).

2.8 Property, plant and equipment

Assets are attributed to property, plant and equipment if their service life exceeds one year and the acquisition value is over LTL 2 000.

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

All other property, plant and equipment are shown at revalued amounts, based on periodic (at least every 5 years) valuations by external independent valuers, less subsequent accumulated depreciation and subsequent accumulated impairment losses, excluding the costs of day-to-day servicing. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets. Day-to-day servicing cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the asset recognition criteria are met.

Increases and decreases in the carrying amount arising on the first revaluation of property, plant and equipment are credited (charged) to revaluation reserve in shareholders' equity. Increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Decreases arising on subsequent revaluations that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original (indexed) cost is transferred from revaluation reserve to retained earnings.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the acquisition amount of each asset to their residual values over the following estimated useful lives:

– Buildings	10–50 years
– Structures and machinery	5–50 years
– Vehicles	4–15 years
– Other property, plant and equipment	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment obtained at no consideration is accounted in corresponding captions of property, plant and equipment and deferred income. Property, plant and equipment obtained at no consideration is depreciated by using straight-line method over the estimated useful life of these assets. The amounts accounted for in the deferred income caption are recognised as revenue in the income statement over the period of useful life of this property, plant and equipment and the depreciation expenses of the related property, plant and equipment in the income statement are reduced by this amount .

Interest costs on borrowings to finance the construction of property, plant and equipment are not capitalised and are recognised in the income statement when incurred.

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

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

The amendments to IAS 16, effective from 1 January 2005, requiring component accounting for property, plant and equipment had no significant impact on the Company's accounting, as even till implementation of above mentioned amendments property, plant and equipment of the Company was accounted fairly in detail, in the cases of capitalised repairs, replaced item was written-off and new one depreciated over new estimated useful life.

2.9 Intangible assets

Intangible assets expected to provide economic benefit in future periods are valued at acquisition cost less subsequent amortisation and impairment losses (if any). Amortisation is calculated on the straight-line method over estimated benefit period from 1 to 3 years.

2.10 Impairment of non-current assets

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

2.11 Lease

The Company is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease of non-current assets, where the lessee is transferred the major part of risk and benefit related to the assets, is defined as financial lease. The leased non-current assets are recorded at the asset value redemption amount, i.e. at the assessed current value of minimum lease payments. Rent, i.e. the difference between all minimum payments according to the lease agreement and interest costs, is disclosed in the liabilities. The rent is distributed between liabilities and interest costs so that it makes a constant periodical interest rate for the remaining balance of leasing liabilities. Interest on rent is accounted for in the income statement during the entire lease period. The leased property, plant and equipment is depreciated during its useful life.

The Company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using first-in, first-out (FIFO) method. The cost of inventories comprises purchase price, transport, and other costs directly attributable to the acquisition of inventories and taxes other than those subsequently recoverable from the tax authorities. Net realisable value is the estimate of the selling price in the ordinary course of business less selling expenses.

2.13 Receivables

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

2.14 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

2.15 Share capital

Ordinary shares are stated at their par value.

2.16 Reserves

Legal reserve

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

Revaluation reserve

Revaluation reserve represents a net amount of increases and decreases in the carrying amount arising on the first revaluation of property, plant and equipment. The reserve upon its recognition is decreased by the amount of relating deferred income tax. The revaluation reserve included in equity is transferred to retained earnings (accumulated deficit) when it is realised. The revaluation reserve is realised on retirement or disposal of the asset or as the asset is used by the Company, i.e. the amount of reserve realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original (indexed) cost. The transfer from the revaluation reserve to retained earnings (accumulated deficit) is not made through the income statement. According to the Law on Joint Stock Companies of Republic of Lithuania, revaluation reserve can also be used for the increase in share capital.

2.17 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the Annual General Shareholders' Meeting.

2.18 Borrowings

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

2.19 Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between carrying amounts of assets and liabilities and their taxation basis. The tax rates used to compute are those that are expected to apply to the period, when deferred income tax assets are realised or the liability is settled, based on tax rates that have been enacted at expecting balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that deferred tax assets will be realized that sufficient future taxable profit will be available.

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

Deferred income tax, related to items recognised directly in taxation equity, is also recognized in equity and not in the income statement.

2.20 Investments and other financial assets

According to IAS 39 Financial Instruments: Recognition and Measurement financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss

The category ‘financial assets at fair value through profit or loss' includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

2.21 Offsetting

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

2.22 Employee benefits

Social security contributions

Company pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits 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 staff costs.

Termination benefits

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

2.23 Comparative figures

In addition, where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

2.24 Financial risk management

Credit risk

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

The Company trades only with recognised third parties, so there is no requirement for collateral.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The appropriate operating cash flow forecasting and monitoring procedures are established in order to maintain sufficient cash and monitor liquidity risk.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets.

The major part of the Company's borrowings is with variable rates, related to EURIBOR and LIBOR, which creates an interest rate risk. There are no financial instruments designated to manage its exposure to fluctuation in interest rates outstanding as of 31 December 2004 and 2005.

Foreign exchange risk

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

Fair value estimation

The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term borrowings.

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

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

(a) The carrying amount of current trade and other accounts receivable, current trade and other accounts payable and short-term borrowings approximates fair value.

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

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

3 Sales

	2005	2004
Sales of electricity	826 018	702 825
Sales of reactive energy	14 351	13 746
Customers' connection fees (Note17)	2 412	1 789
	842 781	**718 360**

3 446 m kWh of electricity were sold in 2005, i. e. by 4.9 % more than in 2004 (3 285 m kWh – in 2004). Significant increase in sales of electricity, in comparison to 2004, was influenced by change in tariffs for the customers receiving electricity from low and medium voltage electricity network, starting 1 January 2005.

4 Other operating income

	2005	2004
Accounting of property, plant and equipment identified during the inventory count	-	3 884
Profit from sales of materials	1 569	1 003
Services related to electricity	867	197
Rent and telecommunications income	598	631
Income from instalation works	381	890
Gain on disposal of property, plant and equipment	154	190
Other income	395	275
	3 964	**7 070**

5 Other operating expenses

		2005	2004
Impairment and write-off of property, plant and equipment and intangible assets (Note 9)		8 683	7 325
Cash collection expenses		4 445	4 446
Fuel		3 990	3 404
Taxes other than income tax	(a)	3 121	14 533
Public relationships and advertising		2 462	1 275
IT expenses		1 433	1 305
Impairment of receivables and prepayments		1 041	6 388
Inventories net realisable value expenses		97	3 743
Other expenses		6 934	3 481
		32 206	**45 900**

(a) Significant decrease of taxes other than income tax in 2005 was influenced by the change in immovable property tax calculation basis and related immovable property tax recalculations for the previous period.

6 Finance (costs) / income, net

	2005	2004
Interest expenses	(16 760)	(2 853)
Loan administration expenses	(188)	(414)
Interest income	4 262	703
Penalties and fines received	502	719
Penalties and fines paid	(1)	(79)
Net foreign exchange transaction (losses) / gains	(14)	80
Other income	-	4
	(12 199)	**(1 840)**

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

7 Dividends

	2005*	2004*
Approved dividends	118 084	-
Weighted average number of shares	3 718	-
Approved dividends per share (expressed in LTL per share)	**31,76**	**-**

* The year when dividends are approved

The shareholders of the Company approved dividens at LTL 118 084 thousand for the year 2004. The amount of dividends payable of LTL 95 979 thousand to the main shareholder UAB NDX Energija was set off by taking over the loan granted to this shareholder by the banks (Note 16). The remaining liability for the shareholders of the Company as of 31 December 2005 amounts LTL 649 thousand and is accounted in trade and other payables in balance sheet (Note 19).

8 Earnings per share, basic and diluted

	2005	2004
Net profit attributable to shareholders	48 472	5 918
Weighted average number of ordinary shares in issue (thousands) (Note 15)	3 718	3 718
Basic earnings per share (expressed in LTL per share)	**13,04**	**1,59**

The Company has no dilutive potential ordinary shares and therefore the diluted earnings per share are the same as basic earnings per share.

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

9 Property, plant and equipment

	Buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Construc-tion in progress	Total
At 31 December 2003						
Cost or revalued cost	213 696	2 245 673	15 542	28 542	40 507	2 543 960
Accumulated depreciation and impairment	(10 026)	(134 796)	(2 550)	(4 800)	(3 791)	(155 963)
Net book amount	203 670	2 110 877	12 992	23 742	36 716	2 387 997
Year ended 31 December 2004						
Opening net book amount	203 670	2 110 877	12 992	23 742	36 716	2 387 997
Additions	33	4 253	413	385	25 728	30 812
Disposals	(207)	(80)	(259)	(110)	-	(656)
Write-offs and changes in impairment charge per year	(287)	(5 002)	(39)	(153)	(1 059)	(6 540)
Reclassifications between groups and to intangible assets	7 471	49 281	(46)	3 111	(58 626)	1 191
Depreciation charge	(10 404)	(138 765)	(2 633)	(5 357)	-	(157 159)
Closing net book amount	200 276	2 020 564	10 428	21 618	2 759	2 255 645
At 31 December 2004						
Cost or revalued cost	220 899	2 296 859	12 365	30 780	7 609	2 568 512
Accumulated depreciation	(20 337)	(272 329)	(1 898)	(9 033)	-	(303 597)
Accumulated impairment	(286)	(3 966)	(39)	(129)	(4 850)	(9 270)
Net book value	200 276	2 020 564	10 428	21 618	2 759	2 255 645
Year ended 31 December 2005						
Opening net book amount	200 276	2 020 564	10 428	21 618	2 759	2 255 645
Additions	2 069	11 713	20 821	537	94 708	129 848
Disposals	(83)	(18)	(154)	(261)	-	(516)
Write-offs and changes in impairment charge per year	23	(9 678)	32	95	340	(9 188)
Reclassifications between groups	3 589	56 059	647	(819)	(59 476)	-
Depreciation charge	(12 260)	(193 295)	(2 662)	(3 329)	-	(211 546)
Closing net book amount	193 614	1 885 345	29 112	17 841	38 331	2 164 243
At 31 December 2005						
Cost or revalued cost	225 996	2 341 657	32 168	27 977	42 730	2 670 528
Accumulated depreciation	(32 382)	(456 312)	(3 056)	(10 136)	-	(501 886)
Accumulated impairment	-	-	-	-	(4 399)	(4 399)
Net book value	193 614	1 885 345	29 112	17 841	38 331	2 164 243

Based on the management decisison to reduce the remaining useful lives for certain items of property, plant and equipment (see note 'Changes in depreciation rates of property, plant and equipment' below) in the income statement for the year 2005 the Company has reversed property, plant and equipment impairment in amount of LTL 4 759 thousand (accounted for impairment in amount of LTL 5 480 thousand in 2004) and for write-off of property, plant and equipment in amount of LTL 13 947 thousand (LTL 1 060 thousand in 2004), an amount of LTL 505 thousand out of written -off assets were accounted as inventories.

Increase in write-off of property, plant and equipment in 2005 was influenced by the decision of the Company's management to write-off property, plant and equipment, which was stolen, irreparable damaged or not used in operations, however can not be sold.

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

9 Property, plant and equipment (cont'd)

Revaluation of property, plant and equipment

The Company's property, plant and equipment (except for construction in progress) were valued at 31 December 2003 by external independent valuers, Ober-Haus Nekilnojamasis Turtas UAB, qualification certificate No. 000011 given on 24 January 2000. The valuers also determined values of property, plant and equipment as at 1 January 2003. Valuations were made on the basis of depreciated replacement cost. The increases and decreases in carrying amounts arising from the revaluation of property, plant and equipment are as follows:

At 1 January 2004	Buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Total
Increase in carrying amount	128 519	1 835 940	2 550	6 773	1 973 782
Decrease in carrying amount	(17 334)	(84 276)	(3 565)	(6 239)	(111 414)
	111 185	1 751 664	(1 015)	534	1 862 368

The revaluation surplus amounting to LTL 1 862 368 thousand, net of applicable deferred income tax as of 1 January 2003 amounting to LTL 278 929 thousand, was credited to revaluation reserve in shareholders' equity

If property, plant and equipment would not be revaluated, carrying values of property, plant and equipment as of 31 December 2005 and 2004 would be as follow:

	Buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Total
As of 31 December 2005	102 389	476 791	24 185	11 655	615 020
As of 31 December 2004	107 405	524 459	27 843	17 768	677 475

Changes of depreciation rates of property, plant and equipment

The Company changed estimates of useful lives of certain items of property, plant and equipment in 2005. The change of estimate was caused by two reasons:

(1) The extremely bad weather and unusual to Lithuania climate weather conditions impact on the certain property, plant and equipment. Due to the damage made by the storms in Kaunas, Klaipėda and Šiauliai regions, the Company hired independent property valuators to revaluate the remaining useful lives of damaged property, plant and equipment. The valuation was performed by UAB Ober Haus Nekilnojamas Turtas, qualification certificate no. 000011 issued on 24 January 2000. During the assessment of remaining useful lives of damaged property, plant and equipment, it was concluded that remaining useful lives of certain property, plant and equipment (mainly from structures and machinery group) decreased by 12 % in average. As a result the depreciation of this property, plant and equipment since February 2005 was recalculated based on new remaining useful lives. The impact of change in useful lives approximately amounts to LTL 23 000 thousand in 2005 and has increased depreciation expenses in the income statement.

(2) The Company has a property, plant and equipment acquired 40 and more years ago. The Company's management has reviewed usability of such items of property, plant and equipment in the future and decided that remaining useful lives of these items should be shortened by 35 % with an impact to the income statement in amount of LTL 29 750 thousand in 2005.

The impact of change in useful lives for the year 2006 estimated to be LTL 33 000 thousand (1) and LTL 11 000 thousand (2).

Property, plant and equipment acquired through financial lease

Acquisitions of cars purchased through financial lease are accounted in other property, plant and equipment. The net book value of this property in 2005 and 2004 amounted to LTL 151 thousand and LTL 196 thousand respectively.

Fully depreciated assets still used by the Company

As of 31 December 2005, the acquisition (revalued) cost of fully depreciated property, plant and equipment still used in the activities of the Company was LTL 71 204 thousand (LTL 61 119 as of 31 December 2004).

Collateral assets

The Company pledged part of property, plant and equipment amounting LTL 1 000 000 thousand in order to secure liabilities for syndicated loan (Note 16).

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

10 Intangible assets

	Computer software
At 31 December 2003	
Cost	8 033
Accumulated amortisation	(4 079)
Net book amount	3 954
Year ended 31 December 2004	
Opening net book amount	3 954
Additions	218
Write-offs and impairment	(785)
Reclassifications from property, plant and equipment	(1 191)
Amortisation charge	(801)
Closing net book amount	1 395
At 31 December 2004	
Cost	7 060
Accumulated amortisation	(5 665)
Net book amount	1 395
Year ended 31 December 2005	
Opening net book amount	1 395
Additions	186
Amortisation charge	(915)
Closing net book amount	666
At 31 December 2005	
Cost	7 056
Accumulated amortisation	(6 390)
Net book amount	666

11 Inventories

	2005	2004
Spare parts and supplies (at cost)	19 519	13 355
Electricity meters (at cost)	2 634	2 158
	22 153	15 513
Valuation of net realisable value	(8 452)	(8 355)
	13 701	**7 158**

The acquisition cost of the Company's inventories accounted for at net realisable value as of 31 December 2005 amounted to LTL 8 452 thousand (LTL 8 355 thousand as of 31 December 2004). Changes in the allowance for inventories for the year 2005 and 2004 have been included into operating expenses.

12 Trade and other receivables

	2005	2004
Trade receivables	103 765	88 777
VAT receivable	211	2 350
Other receivables	2 203	1 831
Trade and other receivables, gross	106 179	92 958
Impairment allowance for trade receivables	(37 766)	(37 317)
Impairment allowance for other receivables	(939)	(1 261)
	(38 705)	(38 578)
	67 474	**54 380**

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

13 Prepayments, deferred charges and accrued income

	2005	2004
Accrued income from electricity supply	6 560	6 560
Accrued income from interest rate	228	-
Prepayments for services	1 059	1 205
Other prepayments and deferred charges	1 439	63
	9 286	7 828
Impairment of prepayments	(34)	(25)
	9 252	**7 803**

14 Cash and cash equivalents

	2005	2004
Cash at bank and on hand	11 744	6 523
Short-term bank deposits	8 000	140 448
Bonds	179 556	-
	199 300	**146 971**

As of 31 December 2005, cash and cash equivalents include LTL 12 674 thousand (as of 31 December 2004 – LTL 14 086 thousand) allowance for cash in banks under liquidation.

The effective interest rate for the short-term deposits is 2.15 % (in 2004 – 3.25 %). Average term of these deposits is not longer than 15 days.

As of 31 December 2005 the Company had bonds issued by AB Sampo Bankas with average 31 days terms and average 2.9% interest rate.

As of 31 December 2005, all cash in the bank accounts of the Company and future inflows into these accounts were pledged to the banks to secure the repayment of the loans (Note 16).

15 Share capital

As of 31 December 2005, the Company's share capital amounted to LTL 111 540 thousand (31 December 2004 LTL 3 718 thousand). The share capital is divided into 3 717 998 ordinary registered shares of LTL 30 par value each (as of 31 December 2004 – 3 717 998 ordinary registered shares with the par value of LTL 1). All shares are fully paid.

As of 31 December 2005 the shareholders of the Company decided to increase share capital from LTL 3 718 thousand till LTL 111 540 thousand, by using LTL 107 822 thousand from revaluation reserve and increased the par value of each share from LTL 1 till LTL 30. New by laws were registered on 26 April 2005. Legal reserve was corrected according to the share capital increase in order to reflect the requirements of the Law on Joint Stock Companies and amounted to 10% of shareholders capital as of 31 December 2005.

3 606 520 ordinary shares, belonging to the main shareholder UAB NDX Energija were pledged to banks as of 31 December 2005 and 2004 as a guarantee for loans granted to UAB NDX Energija later taken over by the Company.

16 Borrowings

	2005	2004
Current borrowings		
Current portion of non-current bank loans	48 581	38 983
Current bank loans	51 791	34 528
Financial lease liabilities	42	40
	100 414	73 551
Non-current borrowings		
Bank loans	388 646	423 340
Financial lease liabilities	155	197
	388 801	423 537
Borrowings, total	**489 215**	**497 088**

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

16 Borrowings (cont'd)

In April 2005 the Company took over a part of the syndicated loan granted to UAB NDX Energija in the amount of LTL 95 979 thousand by setting off dividends payable for 2004 to this shareholder. The Company has already taken over the liability of LTL 389 828 thousand of the same syndicated loan of the main shareholder UAB NDX Energija in December 2004. This loan is denominated in EUR and has to be repaid by 15 December 2011.

As of 31 December 2005 the weighted average interest rate on bank loans was 3.75 % (as of 31 December 2004 – 3.35 %) and on financial lease liabilities – 3.30 %. All financial liabilities are subject to variable interest rate. On 31 December 2004 and 2005 the periods of changes in interest rates on financial liabilities varied from 3 to 6 months.

The maturity of non-current borrowings (except financial lease liabilities) were as follows:

	2005	**2004**
Within one year	48 581	38 983
Within 2 to 5 years	194 323	228 423
After 5 years	194 323	194 917
	437 227	**462 323**

Financial lease liabilities - minimum lease payments:	**2005**	**2004**
Within one year	46	48
Within 2 to 5 years	163	209
	209	257
Future interest expenses of financial lease	(12)	(20)
Current value of financial lease liabilities	**197**	**237**

As of 31 December 2005, to secure the repayment of bank loans, Company's cash in the bank accounts and future cash inflows into these accounts were pledged (Note 14) as well as 3 609 520 ordinary registered shares of the Company held by its main shareholder (Note 15) and the part of the Company's property, plant and equipment (Note 9).

17 Deferred income

Deferred income relates to (1) contributions received from new customers for the assets installed; (2) recourses received from European Union structural funds and (3) property, plant and equipment received by the Company for no consideration.

	2005	**2004**
New customers connection income (1)	67 592	36 705
Advances for the connection of new customers (1)	20 747	9 582
Financing from EU funds (2)	1 104	-
Property, plant and equipment received at no consideration (less accumulated depreciation) (3)	9 344	9 710
	98 787	**55 997**

Information about the connection income is presented below:

	2005	**2004**
Opening balance	36 705	23 731
Property, plant and equipment related to new customers connection constructed per year	33 299	14 763
Recognised as income in the income statement	(2 412)	(1 789)
Closing balance	**67 592**	**36 705**

Financing from European Union structural funds represents support received under the contract signed on 8 July 2005 for implementation of infrastructure modernization of the Company. According to this project the Company suppose to receive additionally LTL 27 604 thousand till the end of 2007.

Amortisation of deferred income related to property, plant and equipment received at no consideration in amount of LTL 366 thousand in 2005 (LTL 360 thousand in 2004) reduced depreciation expenses of property, plant and equipment in the income statement.

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

18 Deferred tax liability, net

The change in the deferred income tax account is as follows:

	2005	2004
Components of income tax expenses (benefit):		
Current year income tax expenses	37 958	24 208
Deferred income tax (benefit)	(38 710)	(19 702)
Income tax (income) expenses charged to the income statement	**(752)**	**4 506**

	2005	2004
Components of deferred income tax asset :		
New customers connection income	10 357	5 506
Accrued expenses	1 675	51
Impairment of assets	7 079	-
Other items	-	810
Deferred income tax asset before valuation allowance	19 111	6 367
Less: valuation allowance	-	-
Deferred income tax asset, net	**19 111**	**6 367**
Components of deferred income tax liability:		
Non-current tangible assets revaluation and changes in depreciation rates	(233 753)	(250 576)
Investment incentive	(19 597)	(20 960)
Deferred income tax liability	**(253 350)**	**(271 536)**
Deferred income tax, net	**(234 239)**	**(265 169)**

Valuation allowance was made for part of the deferred tax asset that, in the opinion of the management, is not likely to be realised in the foreseeable future. Deferred income tax asset and deferred income tax liability are netted off in the balance sheet of the Company, as they both are related to the same tax authority.

While assesing deferred income tax asset and liability components for the year ended 31 December 2005 the Company has used income tax rates of 19 % and 18 % for those items, which will be realised in 2006 and 2007, respectively, and 15 % rate was used for the items which will be realised in 2008 and later (Note 2.6). Impact of change in income tax rates is presented below:

	2005	2004
Change in deferred income tax, calculated at 15 %	(39 017)	(19 702)
Impact of change in income tax rate on revaluation reserve	(7 780)	-
Impact of change in income tax rate on deferred income tax liability change	8 087	-
	(38 710)	**(19 702)**

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

	2005	2004
Income tax calculated at 15 %	7 158	1 564
Permanent differences	(8 217)	2 942
Income tax rate impact on deferred income tax	307	-
Income tax (benefit) expenses charged to the income statement	**(752)**	**4 506**

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

19 Trade and other payables

	2005	2004
Trade payables	105 181	49 400
Amounts payable to the shareholders due to the decrease in share capital	5 642	11 716
Wages, salaries and social security payable	1 077	1 013
Taxes other than income tax	17	8 331
Other payables	756	153
	112 673	**70 613**

20 Advances, accrued charges and deferred income

		2005	2004
Accrued charges	(a)	17 750	3 254
Deferred income - advances received for the electricity		559	6 046
Other advances		689	286
		18 998	**9 586**

(a) An accrued charges caption in 2005 and 2004 contains accrued bonuses to employees and related social security taxes, LTL 8 400 thousand and LTL 1 500 thousand respectively.

21 Commitments

Operating lease commitments – the Company is a lessee

The Company has concluded lease contracts for the lease of cars. The future aggregate minimum lease payments under operating lease agreements as follows:

	2005	2004
Not later than one year	439	383
Later than 1 year and not later than 5 years	383	718
	822	**1 101**

Capital commitments

As at 31 December 2005, capital expenditure contracted for at the balance sheet date but not recognised in the financial statements amounts to LTL 41 200 thousand (LTL 4 156 thousand as of 31 December 2004).

22 Cash generated from operations

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

In 2005

(1) Part of dividends payable for for 2004 conversion to the syndicated loan, i.e. take over of part of syndicated loan from the main shareholder (Note 7).

(2) Payable for tangible fixed assets in amount of LTL 8 232 thousand.

In 2004

(1) Decrease of the share capital of the Company and related takeover of syndicated bank loan from the main shareholder of the Company and accounting for the remaining part of liabilities to other Company shareholders (Note 15).

(2) Accounting of property, plant and equipment, which have not been previously registered by the Company and acquisition of property, plant and equipment by financial lease.

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

23 Related party transactions

Transactions with Company managers

In 2005 the total remuneration of the Company's management (7 managers) amounted to LTL 1 725 thousand (in 2004 – LTL 1 556 thousand to 7 managers). The management of the Company did not receive any significant loans, guarantees no other payments or property transfers were made or accrued.

Transactions with other related parties

Other related parties of the Company are the owners of VP Group companies controlled by the owners of the Company's main shareholder UAB NDX Energija.

Transactions with other related parties are presented below:

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

	2005	**2004**
UAB VP Market	10 465	9 801
UAB NDX Development	-	178
UAB Domus Nova	37	80
UAB Eurofarmacijos Vaistinės	109	39
UAB Vestodija	-	15
UAB Naujosios Akmenės Vaistinė	3	5
UAB Kybartų Vaistinė	-	2
AB Vilniaus akropolis	1 511	-
	12 125	**10 120**

(ii) Purchase of goods and services (excl. VAT)

	2005	**2004**
UAB Eurocom - communications services	548	804
UAB VP Reklama - advertising services	83	389
UAB Eurovalda - advisory and management services	237	196
UAB VP Sauga - security systems	300	153
UAB VP Draudimas - insurance services	170	36
UAB VP Market - gift vouchers and food products	38	21
UAB Delano - food products	7	10
UAB NDX energija - consultation services	27	-
	1 410	**1 609**

(iii) Payables and advances received (excl. VAT)

	2005	**2004**
UAB NDX energija	27	-
UAB Eurocom	2	-
UAB Eurovalda	-	94
UAB VP Market	47	73
AB Vilniaus Prekyba	-	58
UAB VP Sauga	5	40
UAB VP Reklama	3	29
UAB Eurofarmacijos Vaistinės	-	2
AB Vilniaus akropolis	3 586	-
UAB VP draudimas	10	-
	3 680	**296**

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

23 Related party transactions (cont'd)

(iv) Receivables (excl. VAT)

	2005	**2004**
UAB VP Market	980	920
UAB Eurofarmacijos Vaistinės	15	7
UAB Domus Nova	-	5
	220	-
	1 215	**932**

(v) Other transactions:

In April 2005 the Company took over a part of the syndicated loan granted to UAB NDX Energija in the amount of LTL 95 979 thousand by setting off dividends payable for 2004 to this shareholder. The Company has already took over the liability of LTL 389 828 thousand of the same syndicated loan of the main shareholder UAB NDX Energija in December 2004. This loan is denominated in EUR and has to be repaid by 15 December 2011.

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2005 and 2004, the Company has not made any provision for doubtful debts relating to amounts owned by related parties. This doubtful debts assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.