

REPORT ON IMPLEMENTATION OF LIETUVOS ENERGIJA AB COMPLIANCE PROGRAMME

30 April 2008

Vilnius

1. Background

The Compliance Programme (hereinafter - the “Programme”) of a public limited liability company Lietuvos Energija AB (hereinafter - “Lietuvos Energija” or the “Company”) was approved on 20 June 2007 by the Minutes No 42 of the Meeting of the Board of Lietuvos Energija, and came into effect on 1 July 2007.

The objective of the Programme – to ensure independence of the transmission system operator from the activity of electricity production in the Company by establishing equal undiscriminating conditions to all system users for access to the electricity transmission grid and for the use of the transmission system.

The legal framework of the Programme – Item (d), Paragraph 2, Article 10 of the *Directive 2003/54/EC of the European Parliament and the Council of 26 June 2003 concerning common rules for the internal market in electricity* and Item 48.18 of the *Licensing Rules for Operations in the Electricity Sector* approved by the Resolution No 1474 of the Government of Lithuania dated 5 December 2001 *RE: Approval of the Post-Law Acts Necessary for the Implementation of the Law on Electricity of the Republic of Lithuania*.

2. Report on the Implementation of the Programme

The first Report on the Implementation of the Programme (hereinafter - the “Report”) contains information about the measures for the implementation of the Programme and the results accomplished since the date of its coming into effect, i.e. within the period from 1 July 2007 till 30 April 2008 (hereinafter - “the first reported period”).

For the purposes of information, the Report is provided to the Management Board of Lietuvos Energija and the National Control Commission for Prices and Energy. The Report will be also made publicly accessible on the official website of Lietuvos Energija.

The Report is submitted by the appointed Compliance Officer of Lietuvos Energija AB – Rimantas Šukys, Finance Director of the Company.

3. Measures taken to implement the Programme

During the first reported period, the following measures were taken in the Company to ensure proper implementation of the Programme:

3.1. A notice about the approval of the Programme indicating its legal framework and the main objectives was published on the official web site of Lietuvos Energija AB, thereby informing interested persons about the initiatives undertaken by the Company to ensure non-discrimination of the electricity transmission grid users;

3.2. Contact information of the Compliance Officer published on the official website of Lietuvos Energija AB thereby enabling interested persons to directly contact representatives of the company on the issues of assertion of the rights of the electricity transmission system users;

3.3. The Programme published on the official website of Lietuvos Energija AB thereby enabling all employees of the Company to familiarise themselves with the requirements set forth by the Programme, rights and obligations of the employees;

3.4. To protect the commercially sensitive information and to reduce the risk of its illegal disclosure, employees of the Company’s structural divisions performing the functions of the transmission system operator were instructed in the requirements for ensuring non-discrimination of the users of the electricity transmission system and confirmed that they are aware of these requirements with their signatures;

3.5. The Compliance Officer ensured continuous supervision of proper implementation of the

Programme and timely inspections in the Company.

4. Investigation of claims

During the first reported period, no claims were submitted to Lietuvos Energija on discrimination of the users of the electricity transmission system.

5. Conclusions from the reported period

During the first reported period, no breaches of the requirements embedded in the Programme were established in the Company, i.e. no cases of discrimination of the electricity transmission system users or violations in ensuring the security of the commercially sensitive information were established (The information which had to be disclosed or accessible according to the legal acts was disclosed to all market players simultaneously, by granting them equal rights to the information and abiding by the procedures set forth in legal acts; The scope of the provided information on the planned development of the transmission system and connection of new consumers of electricity was the same for all users of the transmission system).

6. Projected actions

Abiding by the provisions of the Law on the Nuclear Power Plant of the Republic of Lithuania, during formation of the national investor company it is being planned to separate from the Company its two branches involved in electricity production – Kaunas Hydro Power Plant and Kruonis Pumped Storage Plant. After accomplishment of this goal, the functions of the transmission system operator will be completely unbundled from other activities in the electric energy sector.

Upon unbundling of electricity production operations from Lietuvos Energija and in the case if the Company performs neither electricity distribution or transmission activities, the relevance and functionality of the requirements set forth in the Programme in organising the transmission system operator's activities will be revised.

It should be noted that Lietuvos Energija, within the limits of its transmission system operator and market operator's competences, has been performing the activity of electricity import/export. After the incorporation of the national investor company and upon separation of electricity production from Lietuvos Energija, a potential impact of electricity import/export on the direct activity of the transmission system operator will be discussed with due consideration of the objectives and requirements of the Programme.

Lietuvos Energija will inform the National Control Commission for Prices and Energy about any changes in the implementation of the Programme and will provide the transmission system users with relevant information by making this information publicly accessible on the official website of the Company.

Rimantas Šukys

Finance Director
Lietuvos Energija AB