

***RYTŲ SKIRSTOMIEJI TINKLAI AB***

*The Year 2005 Report – Prospectuses (Memorandums)*



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## I. GENERAL INFORMATION

### 1. Reporting period covered by the Year Report – Prospectuses (Memorandums)

The Report – Prospectuses (Memorandums) covers the year 2005.

### 2. Basic data on the Issuer

Name of the company	<b>Rytų skirstomieji tinklai AB</b> (Public Limited Liability Company Eastern Distribution Networks)
Code	1108 70890
Authorised capital	LTL 492 404 653
Address	P. Lukšio street 5B, LT-08221 Vilnius
Telephone	(8~5) 277 75 24
Fax	(8~5) 277 75 14
E-mail	<a href="mailto:info@rst.lt">info@rst.lt</a>
Website	<a href="http://www.rst.lt">www.rst.lt</a>
Legal – organisational form	Public limited liability company – legal entity
Registration date and place	On 31 December 2001 at the Ministry of Economy of the Republic of Lithuania
Register where data on the company are stored	Register of Legal Entities

### 3. Type of operating activities performed by the Issuer

The branch of economy is an energy sector. Services provided by Rytų skirstomieji tinklai AB are as follows: distribution of electricity via low-voltage and medium-voltage electricity networks and supply of electricity to the customers in the Eastern part of Lithuania (in Vilnius, Panevėžys, Alytus and Utena counties as well as parts of Kaunas and Marijampolė counties).

### 4. Information on where and when it is possible to get familiar with the Report and documents which were used as a basis for the Report, and names of mass media

It is possible to get familiar with the Report at the main office of the Company situated to the following address: P. Lukšio street 5B, Vilnius, on the working days from 7.30 until 11.30 and from 12.30 until 16.30, as well as at Finasta AB FMI, Konstitucijos avenue 23, Vilnius.

Mass media of Rytų skirstomieji tinklai AB are as follows: the dailies *Lietuvos rytas* and *Respublika*, Lithuanian News Agency ELTA, News Agency BNS.

### 5. Persons responsible for the information presented in the Report

5.1. The staff and the Head of the Management of the Issuer are responsible for the Report

Rimantas Milišauskas, Director General, tel. (8~5) 251 26 50, fax (8~5) 277 75 14

Arvydas Zakalskis, Finance Director, tel. (8~5) 251 26 52, fax (8~5) 277 75 14

Artur Grigorian, Specialist of the Assets Management Division, tel. (8~5) 251 26 38, fax (8~5) 277 75 14

5.2. Report was prepared by Asta Krušnauskaitė, Company Consultant of Finasta AB FMI (Konstitucijos avenue 23, Vilnius, tel. (8~5) 278 68 44, fax (8~5) 210 24 74) on the basis of information provided by the Company.



**6. Confirmation given by the staff and the Head of the Management of the Issuer as well as by the consultants of the Issuer responsible for the preparation of the Report that information in the Report is actual and no facts are concealed that might influence decisions of the investors to procure or sell securities of the Issuer, also the market price of the securities and their assessment**

Rytų skirstomieji tinklai AB, represented by Rimantas Milišauskas, Director General, and Arvydas Zakalskis, Finance Director, confirms that the information presented in the Report is actual, and there are no facts concealed that might influence decisions of the investors to procure or sell securities of the Issuer, also the market price of the securities and their assessment.

**Rimantas Milišauskas**, Director General

\_\_\_\_\_

**Arvydas Zakalskis**, Finance Director

\_\_\_\_\_

Finasta AB FMĮ, represented by Asta Krušnauskaitė, Company Consultant, confirms that the Report presents accurate information that was delivered to Finasta AB FMĮ by the staff and the managers of Rytų skirstomieji tinklai AB. Finasta AB FMĮ is responsible for a proper documentation of information that was delivered to it. Rytų skirstomieji tinklai AB is responsible for the correctness of information.

**Asta Krušnauskaitė**, Company Consultant of Finasta AB FMĮ

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Date of signing the Report – 19 of May 2006

Place of preparation – Finasta AB FMĮ (Konstitucijos avenue 23, Vilnius)



## II. INFORMATION ON THE AUTHORISED CAPITAL OF THE ISSUER AND SECURITIES ISSUED

### 7. Authorised capital of the Issuer

#### 7.1. Authorised capital registered in the Register of Legal Entities

Table 7.1. Structure of the authorised capital

Type of shares	Number of shares, unit	Par value, Lt	Total par value, Lt	Portion in the authorised capital, %
Ordinary registered shares	492 404 653	1	492 404 653	100,00

All ordinary registered shares of Rytų skirstomieji tinklai are fully paid.

#### 7.2. Information on the planned increase in the authorised capital by converting or changing debt securities or derivative securities into shares.

Rytų skirstomieji tinklai AB has not issued any debt or derivative securities that would be converted into shares.

### 8. Shareholders

The General Meeting of Shareholders of Rytų skirstomieji tinklai AB was held on 26 April 2006. The accounting day of the General Meeting of Shareholders is 19 April 2006.

Total number of shareholders is 6 003.

Table 8.1. Shareholders who have owned or possessed more than 5% of the authorized capital of the Issuer on the accounting day of the General Meeting of Shareholders

Name, surname of the shareholder (name of the company, type, address of the main office, code)	Number of ordinary registered shares belonging to the shareholder by the right of ownership, unit	Share of the authorised capital possessed, %	Portion of votes granted by the shares belonging by the right of ownership, %	Portion of votes belonging to the shareholder together with acting persons, %
STATE, represented by MINISTRY OF ECONOMY OF THE REPUBLIC OF LITHUANIA Gedimino av. 38/2, Vilnius 1886 21919	351 335 678	71,35	71,35	----
E.ON ENERGIE AG Nymphenburger Str.39, 80 335 Munchen, Germany HRB No 132000	99 845 392	20,28	20,28	----

### 9. Main characteristics of shares issued into public trading of securities

On 22 December 2001, the Lithuanian Securities Commission has registered the issue of 492 404 653 ordinary registered shares of Rytų skirstomieji tinklai AB at par value of LTL 1 per share (Registration Act of Securities No AB-5019, Securities Registration No A01011525). Shares were issued during the incorporation of the Company on purpose to form its authorised capital while reorganising Lietuvos energija SP AB by way of splitting. The Company was registered on 31 December 2001.

On 9 June 2005, the increased authorised capital of the Company, amounting to LTL 574 216 072, was registered in the Register of Legal Entities. It was divided into 574 216 072 ordinary registered shares at par value of LTL 1 per share. The authorised capital of the Company was increased from revaluation reserve by



LTL 81 811 419, issuing new ordinary registered shares at par value of LTL 1 per share and distributing them to the shareholders free of charge pro rata par value of shares belonging to them by the right of ownership on 28 April 2005 (on the day when the General Meeting of Shareholders resolved to increase the authorised capital).

On 28 June 2005, the General Meeting of Shareholders of Rytų skirstomieji tinklai AB resolved to cover the losses recorded in the Balance Sheet as of 31 December 2004, to reduce the authorised capital of the Company by annulling 81 811 419 ordinary registered shares at par value of LTL 1 per share. The authorised capital of the Company was reduced.

The reduced authorised capital of Rytų skirstomieji tinklai AB was registered in the Register of Legal Entities on 1 August 2005. The authorised capital of the Company is LTL 492 404 653; it is divided into 492 404 653 ordinary registered shares at par value of LTL 1 per share.

#### **10. Data on shares offered and distributed in a non-public way**

There are no shares that were offered and distributed in a non-public way.

#### **11. Information on depository receipts issued on the basis of shares**

There are no depository receipts issued on the basis of shares.

#### **12. Main characteristics of debt securities issued into public trading of securities**

There are no debt securities issued into public trading of securities.

#### **13. Data on debt securities offered and distributed in a non-public way**

There are no debt securities offered and distributed in a non-public way.

#### **14. Securities that do not indicate interest in the authorised capital but turnover of which has been regulated by the Law on Securities Market, except for debt securities**

There are no securities that do not indicate interest in the authorised capital but turnover of which has been regulated by the Law on Securities Market.



### III. DATA ON SECONDARY TRADING IN SECURITIES ISSUED BY THE ISSUER

#### 15. Securities included on the trading lists of stock exchanges

The ordinary registered shares of Rytų skirstomieji tinklai AB are on the Current Trading List of Vilnius Stock Exchange (hereinafter referred to as the VSE).

Table 15.1. Main characteristics of shares of Rytų skirstomieji tinklai AB

Type of shares	Security ISIN code	Number of shares, unit	Par value, Lt	Total par value, Lt
Ordinary registered shares	LT0000126385	492 404 653	1	492 404 653

#### 16. Trade in securities of the Issuer in stock exchanges and other organised markets

##### 16.1. Trade in Vilnius Stock Exchange

Table 16.1.1. Trade in the Company shares in 2004 – 2005

Reporting period	Price, Lt			Turnover, Lt			Date of last trade session	Total turnover	
	Max.	Min.	Last session	Max.	Min.	Last session		Unit	Lt
I Q 2004	1,55	1,40	1,52	520 774,07	18 441,70	256 021,14	2004-03-31	7 357 885	10 912 957,64
II Q 2004	1,68	1,52	1,58	193 371,80	-	7 356,48	2004-03-30	2 078 960	3 340 905,31
III Q 2004	1,99	1,58	1,94	307 056,76	1 938,51	110 017,99	2004-09-30	2 189 638	3 732 567,46
IV Q 2004	2,72	1,91	2,70	441 336,22	1 960,00	147 722,80	2004-12-31	2 681 045	5 958 024,89
I Q 2005	3,50	2,70	3,10	717 402,25	11 968,04	78 885,41	2005-03-31	2 617 044	8 180 918,61
II Q 2005	3,66	2,47	2,81	990 953,18	-	37 833,90	2005-06-30	1 988 492	6 062 111,24
III Q 2005	3,28	2,70	3,19	348 825,02	-	36 177,79	2005-09-30	1 194 174	3 678 192,85
IV Q 2005	3,19	2,54	2,81	390 116,30	-	16 135,02	2005-12-30	963 385	2 770 026,60



Figure 16.1. Trade in the Company shares from 01 January 2004 until 31 December 2005

##### 16.2. Trade in other stock exchanges

Other stock exchanges do not trade in the shares of Rytų skirstomieji tinklai AB.





### 16.3. Trade in other organised markets

Shares of Rytų skirstomieji tinklai AB are not traded in other organised markets.

## 17. Capitalisation of securities

Table 17.1. Capitalisation of the Company shares

Date of the last trade session	Capitalisation, Lt
31/03/2004	748 455 072,56
30/06/2004	777 999 351,74
30/09/2004	955 265 026,82
31/12/2004	1 329 492 563,10
31/03/2005	1 526 454 424,30
30/06/2005	1 383 657 074,93
30/09/2005	1 570 770 843,07
30/12/2005	1 383 657 074,93

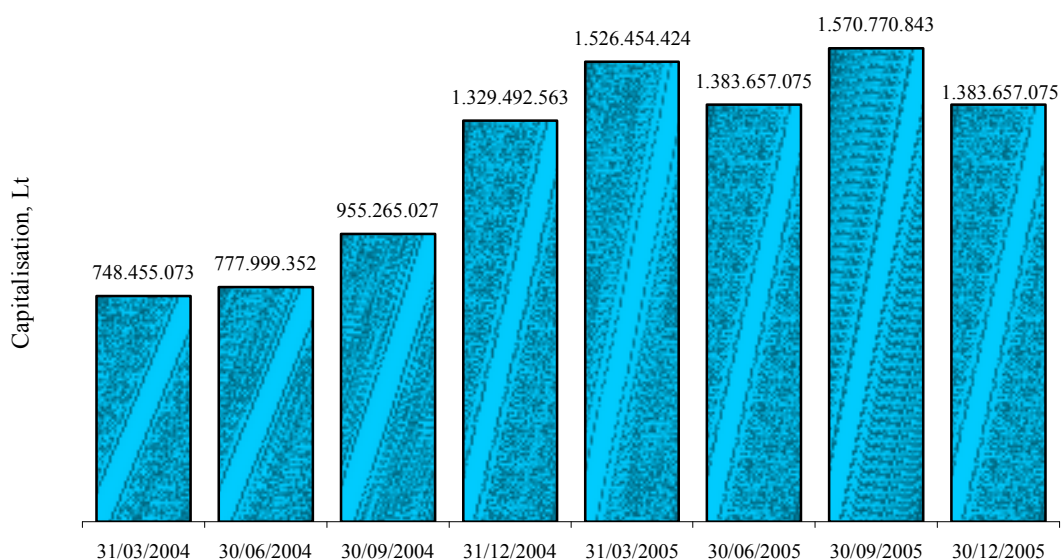


Figure 17.1. Capitalisation of the Company shares, Lt

## 18. Trade in securities of the Issuer outside the stock exchange

Since the ordinary registered shares of Rytų skirstomieji tinklai AB are included on the Current Trading List of the VSE, the share purchase-sale transactions may be concluded only at the VSE. Exchange, gift, settlement of debt, repurchase (repo) transactions are concluded outside the stock exchange.

Table 18.1. Transactions concluded outside the stock exchange with regard to the ordinary registered shares of Rytų skirstomieji tinklai AB

Reporting period	Payment in cash				Payment in non-cash		
	Price, Lt		Quantity of securities, unit	Sum, Lt	Number of transactions	Quantity of securities, unit	Number of transactions
	Max.	Min.					
I Q 2004	2,65	0,75	934 813	1 203 870	12	2 135 443	241
II Q 2004	1,27	1,00	3 017 900	3 404 364	18	352 031 604	36
III Q 2004	1,26	1,03	668 877	755 582	10	50 157	17
IV Q 2004	2,65	1,06	1 047 466	1 497 466	20	861 548	30



I Q 2005	2,65	1,17	895 944	1 605 566	27	47 072	9
II Q 2005	2,95	1,81	214 171	482 286	14	38 214	12
III Q 2005	3,14	1,87	221 415	459 675	13	65 131	30
IV Q 2005	2,36	1,54	398 111	839 811	27	33 873	19

### **19. Data on buy back of the Issuer's shares**

Rytų skirstomieji tinklai AB did not buy back own shares.

### **20. Announcement of the tender offer**

In 2005, there was no tender offer to subscribe to the ordinary registered shares of Rytų skirstomieji tinklai AB. The Company also did not announce any tender offer to subscribe to securities issued by other persons.

### **21. Payment agents of the Issuer**

Rytų skirstomieji tinklai AB and Finasta AB FMĮ (Konstitucijos av. 23, Vilnius, tel. (8~5) 278 68 33) have signed an agreement on the payment of dividends to the shareholders.

### **22. Agreements with intermediaries of public trading in securities**

Rytų skirstomieji tinklai AB ir Finasta AB FMĮ (Konstitucijos av. 23, Vilnius) have signed an agreement regarding keeping accounting of securities issued by the Company and payment of dividends to the shareholders.



## IV. DATA ON THE ACTIVITIES OF THE ISSUER

### 23. Legal background for the activities of the Issuer

The main legal acts regulating the activities of the Issuer are as follows:

- Law on Companies of the Republic of Lithuania;
- Law of the Republic of Lithuania on Electricity;
- Law on Securities Market of the Republic of Lithuania;
- Other legal acts of the Republic of Lithuania;
- Articles of Association of the Company.

### 24. Belonging to the associated structures

Rytų skirstomieji tinklai AB belongs to the **Lithuanian Electricity Association** and the **Lithuanian Confederation of Industrialists**. The Company takes part in these organisation as a member and pays a member fee. Rimantas Milišauskas, Director General of the Company, is a member of the Board of the Lithuanian Electricity Association.

**The Lithuanian Electricity Association** is an voluntary organisation representing and protecting the interests of companies producing, transferring, distributing, supplying electricity and heating, and energy construction organisations as well as other associated energy structures, separate subjects acting in the sector of energy production, supply and energy designing.

**The Lithuanian Confederation of Industrialists** unites 37 branch and 8 regional associations, bringing together more than 2 700 companies of various profile. The key goals of the Confederation are as follows: to represent and protect the interests of its members in the governmental, social and international organisations, to strengthen economy of Lithuania, to assist the companies in discovering new markets and provide as favourable conditions as possible for the export of Lithuanian goods, to strive that ecological requirements were observed in Lithuania, to protect social and legal interests of employers in Lithuania, to strengthen a social dialogue, to develop relations with the international industry, business and employers organisations, etc.

### 25. Brief history of the Issuer

Rytų skirstomieji tinklai AB was registered at the Ministry of Economy of the Republic of Lithuania on 31 December 2001. The Company was incorporated as a result of the reorganisation of Lietuvos Energija SP AB by way of splitting. A part of property and the assets, rights and obligations was transferred from Lietuvos energija SP AB, which after the reorganisation continued its activities as a public limited liability company, to the newly incorporated companies Rytų skirstomieji tinklai AB, Vakarų skirstomieji tinklai AB, Lietuvos elektrinė AB and Mažeikių elektrinė AB.

Two new branches of Transport Services and Electricity Network Services started their operation at the Company on 1 July 2003. However on 2 June 2004 the Board of the Company agreed to the termination of the activities of the Company affiliates and the establishment of regional centres – structural units of the Company, having no legal status of a branch, and of subsidiary companies instead. On 14 September 2004, it was resolved to discontinue the activities of the following branches of the Company from 1 October 2004: Vilnius elektros tinklai, Panevėžys elektros tinklai, Utena elektros tinklai and Alytus elektros tinklai. Vilnius, Panevėžys, Alytus and Utena regions started their operation from 1 October 2004.

On 24 November 2004, a decision was taken to establish a subsidiary company Rytra UAB on the basis of the Transport Service Branch of Rytų skirstomieji tinklai AB and a subsidiary company Elektros tinklo paslaugos UAB on the basis of the Electricity Network Service Branch. The subsidiary companies were registered in the Register of Legal Entities on 8 December 2004 and started their operation on 1 January 2005. In December 2005, a subsidiary company Tetas UAB was registered that started its independent operation on 1 January 2006. The subsidiary companies were established on purpose to separate the operating activities from off activities and to increase efficiency of the activities.



## 26. Characteristics of services

At the end of 2005, the Company group consisted of Rytų skirstomieji tinklai AB and subsidiary companies Elektros tinklo paslaugos UAB, Rytra UAB, Tetas UAB.

Distribution and sale of electricity are the operating activities of Rytų skirstomieji tinklai AB.

In 2005, electricity sales increased by 4,2% and reached 3680 GWh. The increase in sales in 2005 was determined by the general growth of economy in the country resulting in the increased connection of new customers and sales in industry, population and commerce/service sectors.

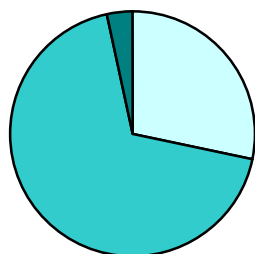
In 2005, the amount of purchased electricity increased by 4% and made 4137 GWh, i.e. purchases increased slower than sales. This was mostly influenced by the decreased technological expenses of electricity distribution and commercial losses by 0,12 percentage point, i.e. to 10,5%.

Income of the Company group amounted to LTL 855,6 million and was by LTL 114 million higher as compared to 2004. Such increase in income was triggered by the boosted electricity sales and increased average tariffs of electricity sold.

In 2005, the public tariffs of electricity and prices of electricity distribution service were lower than the maximum price caps of distribution service set by the State Commission of Price and Energy Control.

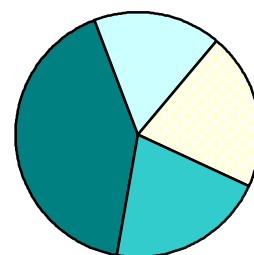
The main operating expenses of the group in 2005 amounted to LTL 832,3 million, out of which 58,5% were expenses of purchased electricity and transfer. The main operating expenses, compared to 2004, increased by LTL 0,7 million. Due to a greater amount of electricity purchased and the increased price for electricity purchase and transfer, variable expenses increased by LTL 27,5 million during 2005. Other expenses decreased by LTL 26,8 million. Such decrease in expenses was affected by a negative result – LTL 122,4 million - of revaluation of non-current assets in 2005. After revaluation of the non-current assets, depreciation charges in 2005 increased more than 2 times, i.e. by LTL 91,1 million.

Structure of the main operating income



- Income from electricity sales in medium-voltage - 28,5%
- Income from electricity sales in low-voltage - 68,3%
- Other income from main activities - 3,3%

Structure of the main operating expenses



- Electricity purchases - 41,5%
- Electricity transfer expenses - 17,0%
- Depreciation and amortisation - 20,7%
- Other expenses - 20,9%

Table 26.1. Sales and purchases of the Company in 2003 – 2005

	2003	THE GROUP	
		2004	2005
Electricity sales, GWh	3 329	3 531	3 680
Electricity purchases, GWh	3 821	3 973	4 137



Table 26.2. Income and expenses of the Company and average electricity prices in 2003 – 2005

	2003		THE GROUP			
			2004		2005	
	Lt	%	Lt	%	Lt	%
INCOME:	704 953 132	100,00	747 961 357	100,00	858 654 266	100,00
Income from electricity sales	692 726 110	98,27	735 933 265	98,39	842 248 925	98,09
Other income	12 227 022	1,73	12 028 092	1,61	16 405 341	1,91
EXPENSES:	692 369 897	100,00	818 811 312	100,00	837 063 930	100,00
Electricity purchase and transfer	447 532 673	64,64	459 095 839	56,07	486 636 788	58,14
- electricity purchase	318 050 813	71,07	327 536 440	71,34	345 182 200	70,93
- electricity transfer	129 481 860	28,93	131 559 399	28,66	141 454 587	29,07
Depreciation, amortisation and decrease in value	80 492 923	11,63	214 867 982	26,24	171 997 624	20,55
Other expenses	164 344 301	23,73	144 847 491	17,69	178 429 518	21,32
Average electricity price, ct/kWh	20,41		20,42		22,51	

Table 26.3. Indices describing activities of the Company

INDICES OF ACTIVITIES	ACCORDING TO IAS		ACCORDING TO BAS	
	2005	2004	2004	2003
Net profit margin = net profit / sales * 100	1,99%	-10,39%	-11,33%	1,78%
ROAA (Return on average assets) = net profit / (Assets at the beginning + assets at the end) / 2 * 100	0,68%	-4,63%	-5,02%	1,51%
Debt ratio = liabilities / assets	0,23	0,24	0,24	0,40
Debt-equity ratio = liabilities / equity	0,30	0,31	0,31	0,66
Current ratio = current assets / short-term liabilities	0,48	0,41	0,41	0,48
Assets turnover = sales / assets	0,34	0,30	0,30	0,84
Book value of share = equity / number of shares	3,87	3,85	3,88	1,02
EPS (earnings per share) = net profit / number of shares	0,03	-0,16	-0,17	0,03

## 27. Realisation markets

Currently, the Company distributes and supplies electricity for more than 717 000 customers in the Eastern part of Lithuania: in Vilnius, Panevėžys, Alytus and Utena counties and in part of Kaunas and Marijampolė counties. The Company is responsible for the maintenance, reliability and development of low-voltage (0,4 kV) and medium-voltage (35-10 kV) electricity networks and supply of electricity to the customers in the serviced area.



Figure 27.1. Area serviced by Rytų skirstomieji tinklai AB

In 2005, the Company sold 3 680 million kWh of electricity, i.e. by 4,2% more, as compared to 2004. Electricity sales were promoted by the increase of gross domestic product in the country, more dynamic activities of construction organisations and commercial enterprises, etc.

Table 27.1. Volumes of electricity sales in 2003 – 2005.

	2005	2004	2003
Electricity sold in Lithuania, GWh	3 680	3 531	3 329

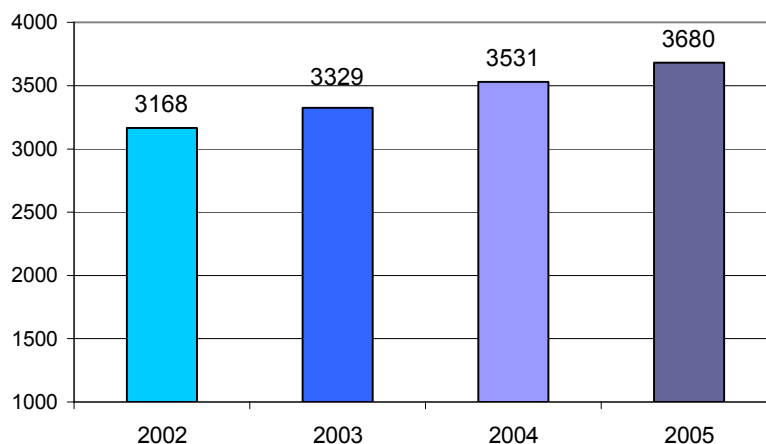


Figure 27.2. Comparison of electricity sales in 2002–2005, GWh

In 2005, the greatest amount of electricity was sold to the customers classified under other customers’ group, also to the residents and industry enterprises.

Grigiškės AB, Vilniaus vandenys UAB and VP Market UAB are the customers, whose electricity consumption in the area serviced by Rytų skirstomieji tinklai AB is the highest.

The majority of agreements are concluded with the customers for a long term. The Company concludes agreements with the residents for indefinite time.

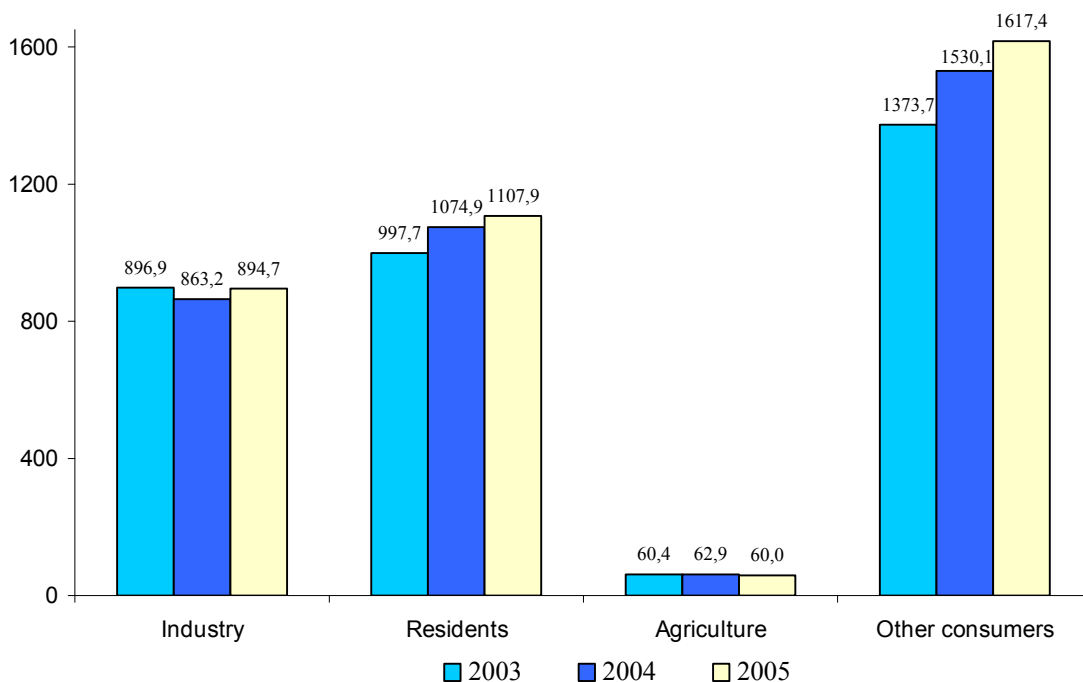


Figure 27.3. Comparison of electricity sales by the customer groups in 2003–2005, GWh

From 1 January 2005, new electricity tariffs of Rytų skirstomieji tinklai AB came into effect, and the business customers, enterprises and organisations were offered a novelty – an opportunity to choose the most favourable payment plan. The electricity consumers, who have adequately evaluated their needs and selected proper payment plans, managed to reduce the average electricity tariff despite the increase in average electricity tariffs for all customers as of 1 January 2005.

## 28. Supply

Electricity suppliers and free consumers may choose electricity producers on the national electricity market and conclude electricity purchase – sale agreements with them. The Company concludes the long-term agreements with the suppliers, i.e. hydroelectric power stations, and the long-term agreements of fixed-date are concluded with other electricity suppliers.

In 2005, the amount of electricity purchased by the Company increased by 4% and amounted to 4 137 GWh. Rytų skirstomieji tinklai AB purchased most of its electricity directly from the producers, i.e. Ignalina atominė elektrinė VĮ (Ignalina Nuclear Power Plant), Vilniaus energija UAB and Kauno termofikacijos elektrinė UAB (Kaunas Power Plant).

The situation on electricity market has changed when at the end of December 2004 the first block of Ignalina atominė elektrinė VĮ (Ignalina Nuclear Power Plant) was decommissioned. In September – October 2005, the second block of the nuclear power plant was decommissioned for repairs – that affected the price of electricity procured on the market, and the expenses of the Company related to electricity purchase increased; however the electricity prices of Rytų skirstomieji tinklai AB to the end users remained stable.

The Company purchases more and more electricity generated from renewable energy sources. During 2005, the amount of such electricity purchased increased up to 39,1 GWh.

## 29. The assets and other main equipment

Rytų skirstomieji tinklai AB is a distribution network operator controlling low-voltage and medium voltage distribution networks in the territory of its services which covers Vilnius, Panevėžys, Alytus and Utena



counties, and part of Kaunas and Marijampolė counties. The Company does not own the land parcels, all land parcels are rented.

The distribution network includes:

- 0,4–35 kV electricity overhead lines, overhead cable lines and underground cable lines;
- 6-35 kV electricity equipment and 35-110 kV capacity transformers of 35-110/6–10 kV transformer substations;
- 10 kV distribution points;
- 6-10/0,4 kV transformer stations.

The key goal of a distribution network operator is to provide customers with electricity in a secure and reliable way in the territory of its services. The distribution activities include maintenance of electricity network (technical maintenance, repairs, trials), reconstruction and development, operative control of network, connection of new customers' electrical equipment, installation and maintenance of electricity meters, maintenance and development of communications and dispatch control systems.

Table 29.1. Technical characteristics of the distribution network

	0,4 kV	6-10 kV	35 kV	110 kV	Total
Length of cable lines, km	4 109	4 132	15		8 256
Length of overhead lines, km	30 396	20 835	1 990		53 221
Length of overhead cable lines, km	1 038				1 038
Transformer substations, units			96	101	197
Distribution points, units		265			265
Transformer stations, units		17 060			17 060
Capacity of capacity transformers, MVA		3 932	571	2 923	7 292

Table 29.2. Property, plant and equipment of the Company

NAME	BALANCE VALUE ON 31/12/2005, LT
Buildings and structures	2 054 815 486
Including: lines (overhead, cables, overhead cables)	1 521 523 618
electricity equipment	377 865 230
buildings	136 110 106
transport structures and facilities (platforms, roads)	3 438 245
communications structures and equipment	1 661 020
pipelines and other transfer facilities	355 896
hyrotechnical buildings and equipment	324 417
other structures and equipment	135 369 54
Machinery and equipment	212 283 412
Vehicles	176 406
Other fixtures, fittings, tools and equipment	40 545 688
Construction in progress	29 646 774
Other tangible assets	2 215 998
<b>TOTAL</b>	<b>2 339 683 764</b>

The bulk value of non-current assets of the Company is produced by the “technological” assets, i.e. the assets used in the operating activities of the Company (0,4–35 kV electricity overhead lines, overhead cable lines and underground cable lines, 35-110/6–10 kV transformer substations 6-35 kV electricity equipment and 35-110 kV capacity transformers, 10 kV distribution points, 6-10/0,4 kV transformer stations).





With reference to the purpose, a part of non-current assets consists of machinery, equipment, fittings, tools and fixtures (electro-technical equipment, machines for various purposes and machinery, meters, automated electricity metering systems, etc.)

The part of the assets of the Company consists of the remaining vehicles (semitrailers, trailers, etc.). All vehicles were transferred to the subsidiary company Rytra UAB.

A description of the assets of the Company for general purposes (administrative, industrial buildings, warehouses) the balance value of which on 31 December 2005 exceeded LTL 0,5 million is given in Table 29.3.

Table 29.3. Assets of the Company for general purposes value of which exceeds LTL 0,5 million

ADDRESS OF THE ASSETS	DESCRIPTION	VALUE ON 31/12/2005, LT
Vilnius, P. Lukšio st. 5b	Building of the central office	10 177 965
Vilnius, Motorų st. 2	Group of buildings of Vilnius region	7 517 166
Vilnius, Gervėčių st. 4	Group of buildings of Vilnius city southern division	4 565 150
Alytus, Pramonės st. 7	Group of buildings of Alytus region	3 800 488
Utena, Užpalių st. 87	Group of buildings of Utena region	3 676 533
Panevėžys, Senamiesčio st. 102b	Group of buildings of Panevėžys region	3 149 764
Šalčininkai, Pramonės st. 13	Building of Šalčininkai division	2 847 117
Nemenčinė, Bažnyčios st. 21	Group of buildings of Vilnius district division	2 452 636
Vilnius, P. Lukšio st. 3	Building of the central office	2 192 641
Marijampolė, Sporto st. 11	Group of buildings of Marijampolė division	1 595 358
Vilnius, P. Lukšio st. 5	Building of Vilnius city northern division	1 573 334
Trakai, Gedimino st. 24	Group of buildings of Trakai division	1 240 562
Anykščiai, Šviesos st. 1	Group of buildings of Anykščiai division	1 148 594
Širvintai, Kalnalaukio st. 3	Group of buildings of Širvintos division	1 106 867
Lazdijai, Kauno st. 77	Group of buildings of Lazdijai division	1 062 157
Druskininkai, Gardino st. 90	Group of buildings of Druskininkai division	971 658
Švenčionis, Užupio st. 1	Group of buildings of Švenčionys division	957 624
Vilkaviškis, Žemdirbių st. 3	Group of buildings of Vilkaviškis division	907 493
Zarasai, Valstiečių st. 14	Group of buildings of Zarasai division	852 424
Panevėžys, Tinklų st. 5	Group of buildings of Panevėžys division	631 968
Molėtai, Statybininkų st. 7	Group of buildings of Molėtai division	607 028
Ukmergė, Deltuvos st. 47	Building of Ukmergė division	592 440

Table 29.4. Information on construction in progress on 31 December 2005, Lt

Transformer substations, 10 kV distribution points, 35 kV electricity network	0,4-10 kV electricity network	Connection of new customers' electrical equipment	Major repairs of electricity network	Communications and dispatch control systems	Electricity meters and systems	Hardware and software	Buildings	Total
6 839 069	4 138 002	11 796 170	626 415	2 165 896	0	3 696 000	554 879	29 816 431
							Prepayments:	850 638
							Provisions for liabilities and charges:	(1 020 295)
							<b>TOTAL:</b>	<b>29 646 774</b>

### 30. Risk factors related to the activities of the Issuer

**Economic risk factors.** Rytų skirstomieji tinklai AB is a monopolistic distributor of electricity in the Eastern Lithuania since other companies do not have electricity distribution network, i.e. medium-voltage and low-voltage lines and transformer substations. Distribution of electricity requires big investments, a



period for recoupment is long, therefore the development of an alternative distribution system has no economic substantiation background. The Company competes with independent suppliers in the sector of electricity supply with regard to spare electricity consumers.

Financial indices depend at large on the interaction with the electricity producers and electricity consumers as well as on the state policy towards the electricity prices.

**Technical – technological risk factors.** A part of material – technical facilities of the distribution network has morally and physically depreciated, therefore timely technical maintenance and repairs of electricity distribution system equipment and facilities play an important role in ensuring reliability of electricity supply. In case of improper maintenance and timely renovation of the main equipment they would become unserviceable, and the risks of distribution system failures would increase.

Thefts of equipment and facilities of electricity distribution lines and substations (cables, lubricants, etc.) that become frequent in recent years add to the risks of distribution system failures and financial losses.

Reliability of electricity distribution is assessed taking into account the number of times when and for how long the objects of electricity consumers were disconnected in average per year due to various reasons: breakdowns or repairs of distribution network equipment, weather conditions, thefts of electricity, etc. The objects of the customers of Rytų skirstomieji tinklai AB have been disconnected for 2,41 hours in average in 2005, and 2,46 hours - in 2004.

In 2005, breakdowns of electricity network were repaired for the customers of Rytų skirstomieji tinklai AB in the low-voltage networks and the electricity supply renewed within 3,52 hours, in 2004 – within 3,47 hours in average. Windstorm and floods that occurred in summer of 2005 have affected operation of the network; therefore repairs of breakdowns required more time.

**Political risk factors.** Rytų skirstomieji tinklai AB operates within the energy sector the activities of which are regulated by the Law on Energy of the Republic of Lithuania and other laws. Revisions and amendments to the laws and other legal acts regulating economic activities of the companies have a negative effect on the activities of Lithuanian companies, including activities of the Issuer.

The State, represented by the Ministry of Economy of the Republic of Lithuania, owns 71,3% of the Company capital, and the election of the Company management bodies depends on its voting. The representatives of the State may easily control management of the Company. The activities and decisions of the Company may depend on the state policy on social, economic and other issues.

**Social risk factors.** The mean wage level at the Company is a bit higher than the mean wage in Lithuania. There are no problems regarding payment of wages.

Qualification of the staff at the Company meets the requirements raised. A great attention is paid to training of the staff and improvement of their occupational skills. The mean wage of marketable professions at the Company, as compared to mean wages of these professions on the labour market, is lower, therefore the Company encounters the problems in hiring the high-skilled specialists of marketable professions, there exists a risk of the staff turnover.

There are five trade unions operating at Rytų skirstomieji tinklai AB where about 48% of the total staff are the members of these unions. Trade unions participate in the negotiations with the employer regarding social guarantees, they annually revise the provisions of the collective agreement.

**Ecological risk factors.** The Public Limited Liability Company Rytų skirstomieji tinklai AB is an electricity distributor. Contrary to the electricity production companies, it pollutes environment very little. There are few chances to restrict or terminate operations of the Issuer because of damage to the environment.

When operating, Rytų skirstomieji tinklai AB observes laws of the Republic of Lithuania, resolutions of the Government, the EU directives, regulations and programmes, the orders passed by the ministries and other legal acts regulating the protection of environment. The Company participates in enforcing one of the most important and the oldest environment protection directives in Lithuania – the Birds Directive that aims to protect all types of wild birds that are common in the territories of the EU member states. Rytų skirstomieji tinklai AB has signed a co-operation agreement with the Ministry of Environment of the Republic of Lithuania and the Ecology Institute of Vilnius University in solving the issue of protecting white storks and



their nests on electricity line pylons. After research work is performed and a programme is drafted, it is foreseen to apply for the support from the EU Structural Funds.

The nests of storks made on the electricity pylons disturb a reliable supply of electricity. Wires that become corroded and break because of moisture not only disturb a normal operation of electricity network, but also may be hazard to people.

In 2006, it is foreseen to continue the tasks in hand and according to the Company's means to participate in the projects and programmes being worked out by the Ministry of Environment of the Republic of Lithuania.

Promoting the environment protection, the Company intends to implement an environment protection monitoring system following the requirements of EN ISO 14000 standards. In 2006, it is planned to start preliminary works for the implementation of such monitoring system.

### Redemption of bank loans

Table 30.1. Loans of the Company by 31 December, Lt

	2005	2004
SHORT-TERM LIABILITIES		
Bank overdrafts	28 046 269	29 630 356
Bank loans	11 394 240	55 936 877
LONG-TERM LIABILITIES		
Bank loans	85 318 688	86 354 528
TOTAL	124 759 197	171 921 761

On December 31 2005, a floating interest at the rate of 2,45% up to 3.47% was established for loans and overdrafts.

Table 30.2. Terms for redemption of bank loans and overdrafts, and valid interest rates on 31 December 2005

	WITHIN ONE YEAR	AFTER ONE YEAR BUT NOT LATER THAN WITHIN FIVE YEARS	AFTER FIVE YEARS	TOTAL	VALID INTEREST RATES, %
Nordea Bank Finland Plc OV	13 253 065	-	-	13 253 065	2,45
AB bank Hansabankas OV	7 587 430	-	-	7 587 430	2,66
AB SEB Vilniaus bank OV	5 058 630	-	-	5 058 630	2,95
Vereins und Westbank AG OV	2 147 144	-	-	2 147 144	3,21
Nordea Bank Finland Plc	-	27 650 022	6 912 506	34 562 528	2,91
Nordea Bank Finland Plc	6 215 040	24 860 160	-	31 075 200	3,44
AB bank NORD/LB	3 452 800	13 811 200	3 452 800	20 716 800	2,74
Vereins und Westbank AG	1 726 400	6 905 600	1 726 400	10 358 400	3,47
TOTAL	39 440 509	73 226 982	12 091 706	124 759 197	

Table 30.3. The Company loans and overdrafts by currencies on 31 December, Lt

	2005	2004
LTL	28 046 269	29 630 356
EUR	96 712 928	140 887 742
USD	-	1 403 663
<b>Total</b>	124 759 197	171 921 761

### 31. Discontinuation or cutback of production that had or have a significant influence upon the operation results of the Issuer within the last 2 financial years

No.



### 32. Patents, licences, contracts

Pursuant to Article 12 of the Law on Electricity of the Republic of Lithuania, the Rules for Licensing of Activities in the Energy Sector approved by the Resolution of the Government of the Republic of Lithuania No 1474 Regarding the Approval of Legal Acts Necessary for Enforcement of the Law on Electricity of the Republic of Lithuania as of 5 December 2001, and the Resolution of the National Control Commission for Prices and Energy Activities No 29 of 20 March 2002, Rytų skirstomieji tinklai AB was issued the following licences:

1. Electricity distribution licence No ES-2 entitling the Company to undertake the electricity distribution.
2. Licence of a public electricity supplier No VET-2 entitling the Company to engage in electricity supply.

### 33. Court and arbitrage processes

Recovery of debts for electricity in 2005

Last year Rytų skirstomieji tinklai AB brought 149 lawsuits against legal entities for LTL 3,650 million. The Company brought 1743 lawsuits against the residents for LTL 1,686 million, out of them 1 284 lawsuits for LTL 0,6 million regarding non-payments for the consumed electricity, 459 lawsuits for LTL 1,079 million regarding the non-metered consumption of electricity.

During 2005, legal entities were adjudged to pay LTL 2,9 million for electricity (out of it fines made LTL 0,119 million), and the residents were adjudged to pay LTL 0,975 million, out of it the non-payments for the consumed electricity made LTL 0,507 million and the non-metered consumption of electricity made LTL 0,467 million.

Note: The awarded sums include only these debts which the court adjudged to award in 2005. Other lawsuits brought against should be adjudged in 2006.

Court processes had no significant effect on the operation of the Company.

### 34. The staff

On 31 December 2004, the Company employed 2 962 persons. From 1 January 2005, the number of employees decreased due to restructuring of the Company. The Company has been reorganised, i.e. in consideration of operation efficiency the branches of Electricity Network Services and Transport Services became separate companies that started their operations from 1 January 2005.

At the end of 2005, the Company employed 2 242 persons, and two subsidiary companies employed 811 persons. From 1 January 2006, a part of the Company staff (126 employees) went over to the third subsidiary company Tetras UAB.

Table 34.1 Number of employees on the roll

	31/12/2005	31/12/2004	01/01/2004
Number of employees	2 242	2 962	2 964
Managers and specialists	1 468	1 685	1 548
Workers	774	1 277	1 416

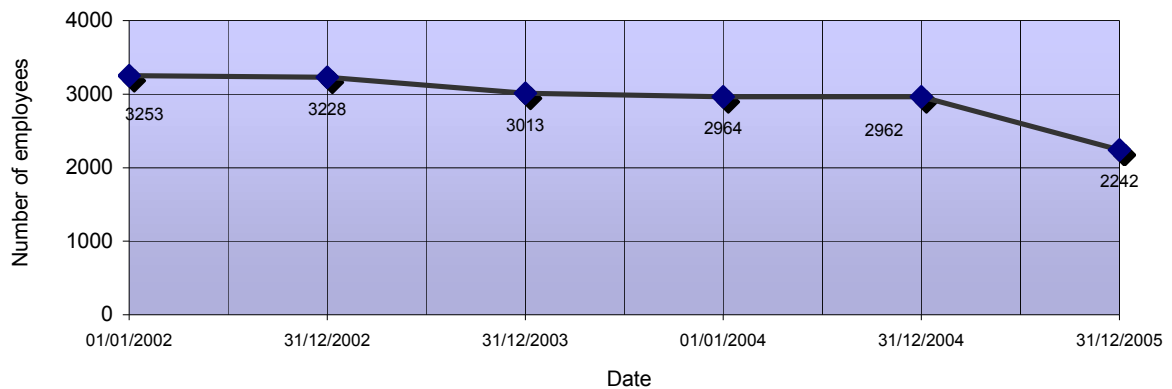


Figure 34.1. Number of employees at the Company in 01/01/2002 – 31/12/2005

Table 34.2. Average monthly wage of employees, Lt

EMPLOYEES	AVERAGE WAGE IN 2005	AVERAGE WAGE IN 2004	AVERAGE WAGE IN 2003
Managers and specialists	2 199	2 110	1 788
Workers	1 448	1 288	1 161

The Company aims to create a secure labour environment and ensure all basic social guarantees that are established and annually updated in the collective agreement.

Putting much value upon its skilled specialists and trying to retain them, the Company insured more than 700 employees by cumulative (investment) life insurance in 2005 and allocated about LTL 1 million for this purpose. In future it is foreseen additionally to insure 200 employees at the Company by life insurance who work under hazardous conditions.

The efficiency and success of the Company's activities depend on the skilled and educated staff. Education of the staff and continuous studies may ensure that the Company employs skilled employees. Understanding the importance of this issue, the Company annually increases investments into training of the staff. In 2005, the funds used for training, courses and seminars of the Company's staff, as compared to 2004, increased by 40%. The Company also supports the studying employees – it offers scholarships, pays for education, gives them paid study vacations.

Table 34.3. Groups of employees by education

	NUMBER OF EMPLOYEES IN 2005	NUMBER OF EMPLOYEES IN 2004	NUMBER OF EMPLOYEES IN 2003
Those having higher education	821	792	738
Those having spec. secondary education	816	897	951
Those having secondary education	550	1083	1 106
Other	55	190	169

After the survey of employees and the assessment of training needs in July 2005, Rytų skirstomieji tinklai AB submitted an application for obtaining support from the European Union Structural Funds for a project "Development of Professional Competence and Computer-literacy of Employees". The total value of this project amounts to LTL 2,6 million, and support from the Structural Funds would make about 53% of the total project value. It is planned to organise training according to 3 programmes: English language, computer-literacy and general management knowledge. More than 1 500 employees working at Rytų skirstomieji tinklai AB and secondary companies would improve their occupational skills at the training



courses. The EU support is a significant contribution in assisting employees to conform to the changes on the electricity market and increasing qualification requirements.

### 35. Investment policy

At the end of 2005, the Company group consisted of Rytų skirstomieji tinklai AB and subsidiary companies Elektros tinklo paslaugos UAB, Rytra UAB, Tetas UAB.

Table 35.1. Information on subsidiary companies

	<b>RYTRA UAB</b>	<b>ELEKTROS TINKLO PASLAUGOS UAB</b>	<b>TETAS UAB</b>
Address of the central office	Vilnius city municipality, Vilnius, Motorų st. 2 / Geologų st. 16	Vilnius city municipality, Vilnius, Motorų st. 2	Panevėžys city municipality, Panevėžys, Senamiesčio st. 102B
Code	3000 72305	3000 72351	3005 13148
Type of activities	The Company provides transport lease services. It leases constructional and special mechanisms, cars for cargo and passengers.	The Company provides technical supervision, maintenance, repairs of electricity network and equipment, performs in-house electricity installation works.	The Company provides specialised electricity network services – maintains electricity equipment of substations, distribution points and transformer stations, perform trials and test activities.
Amount of the authorised capital, Lt	22 998 000	11 657 000	30 000
Type and class of shares belonging to the Issuer	Ordinary registered shares	Ordinary registered shares	Ordinary registered shares
Number of shares	22 998 000	11 657 000	30 000
Par value of shares, Lt	1	1	1
Portion of votes owned or possessed by the Issuer in the General Meetings of Shareholders of these companies, %	100,00	100,00	100,00
Net profit (loss), Lt	422 107	1 898 385	(810)
Ratio of short-term liabilities to current assets	1,53	0,94	0,002
Ratio of all liabilities to all assets	0,19	0,38	0,002
Amount of dividends paid to the Issuer, Lt	168 644	759 263	-
Amount of loans granted by the Issuer to the company within the reporting period, Lt	2 000 000	-	-
Amount of loans received by the Issuer from the company within the reporting period, Lt	-	-	-
Company debt securities acquired by the Issuer	-	-	-

In 2005, the investments of the Company into non-current assets amounted to LTL 158,1 million, out of which LTL 139,5 million into electricity distribution network. The vast majority of investments into the distribution network was intended for the reconstruction and development of the distribution network: 48,4% of investments for the reconstruction of transformer substations and development of 0,4–10 kV electricity network, 41% - for connection of new customers' objects.

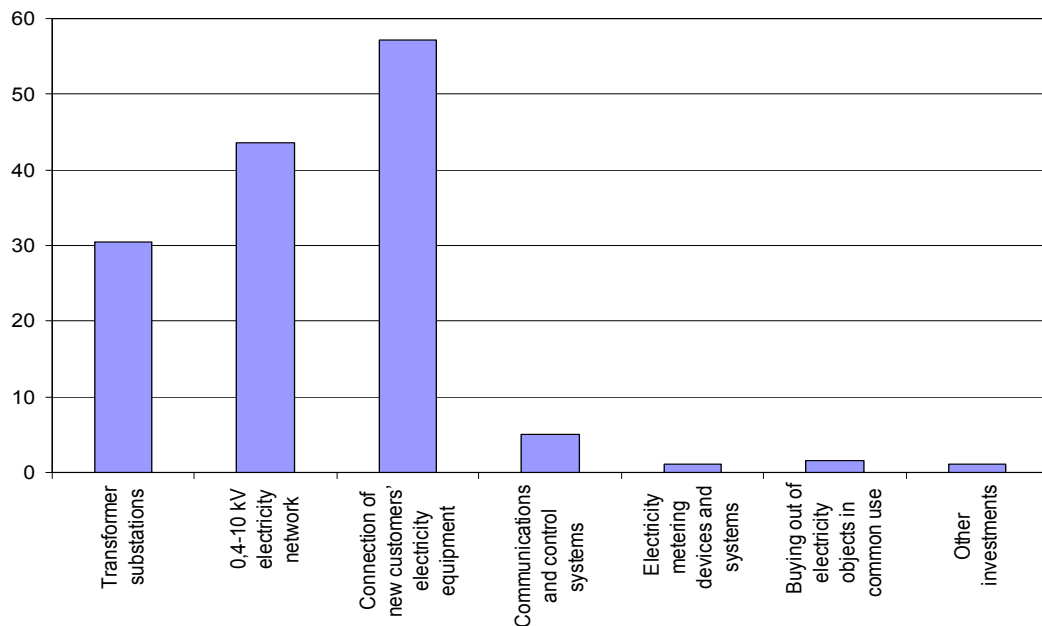


Figure 35.1. Investments into the electricity distribution network, million Lt

The development and reconstruction of the distribution network in 2005

The following transformer substations were reconstructed:

- 110/10 kV Žvėrynas transformer substation;
- 35/10 kV Ramygala transformer substation.

The following distribution points were reconstructed:

- 10 kV distribution point at Minties street, Vilnius;
- 10 kV distribution point at Kėdainiai;
- 10 kV distribution point at Marijampolė;
- 10 kV distribution point at Ukmergė.

The following new distribution points were constructed:

- 10 kV distribution point at Ukmergės street, Vilnius;
- 10 kV distribution point at Kareivių street, Vilnius;
- 10 kV distribution point at Gynėjų street, Vilnius.

267 new 6–10/0,4 kV transformer stations were installed for the connection of new customers' electricity equipment, for the improvement of the quality of electricity supplied to the customers and the decrease of electricity distribution expenses.

In 2005, 10 628 objects of new customers were connected to 0,4–10 kV electricity network of the Company. That is by 14,7% more, as compared to 2004. The total allowable capacity of the connected equipment is 99,5 MW, i.e. by 11,6% more, as compared to 2004. The increase in the number of new consumers' objects is promoted by a rapidly developing real property market at the major cities of Lithuania.

Pursuant to the Law on Energy of the Republic of Lithuania and legal acts approved by the Ministry of Economy, the energy companies are obligated to buy out the energy objects of common use that were constructed before this law came into force and that do not belong to the energy companies by the right of ownership. In 2005, the Company bought out 75 energy objects of common use. Only part of the objects offered for sale was bought out because the owners of these objects had to spend a lot of time for the document arrangement procedures.



In 2005, the dispatching control system SCADA was finally installed at the Dispatching Centre of AB Rytų skirstomieji tinklai, collecting information from the substations which is important for the staff at the Dispatching Centre and enabling control of 35 kV network. The implementation of this project with value exceeding LTL 7 million has lasted for two years.

In order to increase volumes of information that is transferred to the Dispatching Centre and the Dispatch Control Groups and its reliability, new telecontrol equipment were installed and updated at the divisions of the Company regions and substations.

The control systems are renewed in phases. In 2005, 7 telecontrol equipment investment projects were started and are still continued.

In 2005, the optical communication line, connecting the Company units in Vilnius city, was constructed. When a new line was built, the reliability of control of the dispatching network in Vilnius city has increased. LTL 1,3 million were invested into this project.

In 2005, the Company operated 753 000 electricity meters. During the year, the Company renovated 9,4% of all electricity meters; the procurement costs of electricity metering devices amounted to LTL 8 million.

The expansion of an automated electricity metering system continued; the system enables distant reading of the electricity meters installed in between distribution network operators, eligible and other users and producers. In 2005, about LTL 1,1 million have been invested into the development of the system; 568 electricity meters have been integrated into the system. Totally, the system is in operation at 470 facilities; 2554 electricity meters have been integrated into the system.

In 2005, the information system of electricity flows ESIS was developed further. This system assists in exchange of data between the companies transferring electricity and controlling the distribution networks and other electricity market players.

In 2006, it is planned to invest LTL 170 million. The connection of new customers, reconstruction of transformer substations and development of 0,4-10 kV electricity network will be the main investing areas.

### 36. Competitors

The Company sells electricity only in Lithuania. The competition on domestic market is related to the supply of electricity. A public or an independent supplier may supply electricity to free customers.

### 37. Dividends paid

FOR FINANCIAL YEAR	DIVIDENDS , LT	DIVIDENDS, PER SHARE, LT	PORTION PER PAR VALUE OF ONE SHARE, %
2002	10 440 328	0,0212	2,12
2003	7 583 378	0,0154	1,54
2004	-	-	-
2005	34 468 326	0,07	7,00





## V. FINANCIAL SITUATION

### 38. Financial statements

#### Balance Sheet, Lt

In accordance with the International Accounting Standards

	THE GROUP		THE COMPANY	
	31/12/2005	31/12/2004 (AS RESTATED)	31/12/2005	31/12/2004 (AS RESTATED)
<b>ASSETS</b>				
NON-CURRENT ASSETS				
Property, plant and equipment	2 377 013 371	2 393 171 645	2 339 683 764	2 393 171 645
Intangible assets	3 112 570	3 439 395	3 112 570	3 439 395
Investments into subsidiaries			34 685 000	60 000
Long-term receivable	6 825 646	7 509 871	6 825 646	7 509 145
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2 386 951 587</b>	<b>2 404 120 911</b>	<b>2 384 306 980</b>	<b>2 404 180 185</b>
CURRENT ASSETS				
Inventories	6 552 451	11 614 033	3 234 878	11 614 033
Receivables and prepayments	86 576 277	75 429 126	85 804 427	75 429 126
Loans granted			2 000 000	
Cash and cash equivalents	1 801 189	1 379 999	881 866	1 319 999
Non-current assets for sale	341 160		341 16	
<b>TOTAL CURRENT ASSETS</b>	<b>95 271 077</b>	<b>88 423 158</b>	<b>92 262 331</b>	<b>88 363 158</b>
<b>TOTAL ASSETS</b>	<b>2 482 222 664</b>	<b>2 492 544 069</b>	<b>2 476 569 311</b>	<b>2 492 543 343</b>
<b>EQUITY AND LIABILITIES</b>				
EQUITY				
Authorised capital	492 404 653	492 404 653	492 404 653	492 404 653
Legal reserve		42 060 928		42 060 928
Revaluation reserve	1 265 932 393	1 479 857 078	1 265 932 393	1 479 857 078
Retained earnings (loss)	149 430 601	(116 897 617)	147 680 654	(116 897 617)
<b>TOTAL EQUITY</b>	<b>1 907 767 647</b>	<b>1 897 425 042</b>	<b>1 906 017 700</b>	<b>1 897 425 042</b>
NON-CURRENT LIABILITIES				
Loans	85 318 688	86 354 528	85 318 688	86 354 528
Deferred income from new customers	39 089 123	30 892 059	39 089 123	30 892 059
Deferred taxes	248 449 588	259 710 815	248 881 991	259 710 815
Non-current debts to suppliers	666 852		666 852	
Grants, subsidies	4 033 540	4 163 259	4 033 540	4 163 259
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>377 557 791</b>	<b>381 120 661</b>	<b>377 990 194</b>	<b>381 120 661</b>
CURRENT LIABILITIES:				
Trade payables and other liabilities	157 456 717	128 431 133	153 120 908	128 430 407
Borrowings	39 440 509	85 567 233	39 440 509	85 567 233
<b>TOTAL CURRENT-LIABILITIES</b>	<b>196 897 226</b>	<b>213 998 366</b>	<b>192 561 417</b>	<b>213 997 640</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 482 222 664</b>	<b>2 492 544 069</b>	<b>2 476 569 311</b>	<b>2 492 543 343</b>



In accordance with the National Business Accounting Standards

ASSETS	THE GROUP	THE COMPANY	
	31/12/2004	31/12/2004	31/12/2003 (AS RESTATED)
<b>NON-CURRENT ASSETS</b>			
INTANGIBLE ASSETS	3 439 395	3 439 395	3 270 667
Development works	136 515	136 515	151 139
Goodwill			
Patents, licences			
Computer software	3 302 880	3 302 880	3 119 528
Other intangible assets			
TANGIBLE ASSETS	2 409 774 678	2 409 774 678	727 065 572
Land			
Buildings and structures	2 123 268 362	2 123 268 362	583 748 786
Machinery and equipment	216 087 155	216 087 155	80 707 202
Vehicles	15 584 797	15 584 797	13 240 956
Other property, plant and equipment	34 994 036	34 994 036	22 276 177
Construction in progress	16 858 142	16 858 142	23 739 669
Other tangible assets	2 982 186	2 982 186	3 352 782
FINANCIAL ASSETS	7 509 871	7 569 145	8 125 149
Investments into subsidiaries and associates		59 274	
Loans to subsidiaries and associates			
Amounts receivable after one year	7 509 871	7 509 871	8 125 149
Other financial assets			
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2 420 723 944</b>	<b>2 420 783 218</b>	<b>738 461 388</b>
<b>CURRENT ASSETS</b>			
INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS	12 393 645	12 393 645	16 710 287
Inventories	11 614 033	11 614 033	15 466 659
Raw materials and consumables	11 614 033	11 614 033	15 466 659
Work in progress			
Finished goods			
Goods for resale			
Prepayments	779 612	779 612	1 243 628
Contracts in progress			
AMOUNTS RECEIVABLE WITHIN ONE YEAR	74 649 514	74 649 514	73 600 933
Trade amounts receivable	72 374 838	72 374 838	66 592 780
Receivables from subsidiaries and associates			
Other amounts receivable	2 274 676	2 274 676	7 008 153
OTHER CURRENT ASSETS			
Current investments			
Time deposits			
Other current assets			
CASH AND CASH EQUIVALENTS	1 379 999	1 319 999	5 967 667
<b>TOTAL CURRENT ASSETS</b>	<b>88 423 158</b>	<b>88 363 158</b>	<b>96 278 887</b>
<b>TOTAL ASSETS</b>	<b>2 509 147 102</b>	<b>2 509 146 376</b>	<b>834 740 275</b>

(continued on the next page)



continued

EQUITY AND LIABILITIES	THE GROUP	THE COMPANY	
	31/12/2004	31/12/2004	31/12/2003 (AS RESTATED)
<b>EQUITY</b>			
CAPITAL	492 404 653	492 404 653	492 404 653
Authorised (subscribed)	492 404 653	492 404 653	492 404 653
Subscribed uncalled share capital (-)			
Share premium			
Own shares (-)			
REVALUATION RESERVE (RESULTS)	1 500 944 386	1 500 944 386	35 356
RESERVES	42 280 628	42 280 628	31 435 860
Legal reserve	42 060 928	42 060 928	31 435 860
Reserve for acquiring own shares			
Other reserves	219 700	219 700	
RETAINED EARNINGS (LOSSES)	(124 092 047)	(124 092 047)	(21 654 613)
Profit (loss) of the reporting year	(84 009 288)	(84 009 288)	(21 654 613)
Profit (loss) of the previous year	(40 082 759)	(40 082 759)	
<b>TOTAL EQUITY</b>	<b>1 911 537 620</b>	<b>1 911 537 620</b>	<b>502 221 256</b>
<b>GRANTS AND SUBSIDIES</b>	<b>4 163 259</b>	<b>4 163 259</b>	<b>4 937 736</b>
<b>AMOUNTS PAYABLE AND LIABILITIES</b>			
NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES	379 447 857	379 447 857	126 287 875
Financial debts	86 354 528	86 354 528	87 138 127
Leases (financial lease) or similar obligations			
To credit institutions	86 354 528	86 354 528	87 138 127
Other financial debts			
Trade amount payable			
Amounts received in advance			
Provisions			
Deferred taxes	262 201 270	262 201 270	23 046 303
Deferred income from new customers	30 892 059	30 892 059	16 103 445
CURRENT AMOUNTS PAYABLE AND LIABILITIES	213 998 366	213 997 640	201 293 408
Current portion of non-current debts	55 936 877	55 936 877	55 911 764
Financial debts	29 630 356	29 630 356	8 971 290
To credit institutions	29 630 356	29 630 356	8 971 290
Other debts			
Trade amounts payable	102 202 162	102 202 162	112 520 923
Amounts received in advance	6 609 456	6 609 456	7 133 835
Profit tax liabilities	8 445 721	8 445 721	5 686 153
Liabilities related with labour relations	2 547 976	2 547 250	3 543 605
Provisions			
Other amounts payable and current liabilities	5 818 675	5 818 675	6 062 527
Deferred income from new customers	2 807 143	2 807 143	1 463 311
<b>TOTAL AMOUNTS PAYABLE AND LIABILITIES</b>	<b>593 446 223</b>	<b>593 445 497</b>	<b>327 581 283</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 509 147 102</b>	<b>2 509 146 376</b>	<b>834 740 275</b>



## Statement of Income, Lt

In accordance with the International Accounting Standards

	THE GROUP		THE COMPANY	
	2005	2004 (AS RESTATED)	2005	2004 (AS RESTATED)
Income	853 686 288	741 584 773	854 255 786	741 584 773
Other income	1 917 011			
Electricity purchased	(345 182 200)	(327 536 440)	(345 182 200)	(327 536 440)
Electricity transfer service costs expenses	(141 454 587)	(131 559 399)	(141 454 587)	(131 559 399)
Depreciation and amortisation	(171 997 624)	(80 913 111)	(167 442 318)	(80 913 111)
Wages and related expenses	(91 806 423)	(75 164 949)	(72 832 082)	(75 164 949)
Expenses of repairs and technical maintenance	(27 127 842)	(39 779 345)	(47 870 299)	(39 779 345)
Transport services	(7 144 332)	(216 709)	(11 850 180)	(216 709)
Commercial electricity meters	(10 622 328)	(10 578 142)	(10 622 328)	(10 578 142)
Written-off non-current assets	(7 129 043)	(1 811 794)	(7 129 043)	(1 811 794)
Tax expenses, except a Profit tax	(7 134 207)	(11 885 857)	(6 497 672)	(11 885 857)
Negative result of revaluation of non-current assets		(122 399 254)		(122 399 254)
Other operating expenses	(22 665 379)	(29 764 182)	(23 196 407)	(29 764 182)
Other income, net	2 270 527	2 910 478	3 084 993	2 910 478
(LOSS) PROFIT FROM OPERATIONS	25 609 861	(87 113 931)	23 263 663	(87 113 931)
Net financial expenses	(3 445 302)	(4 624 693)	(3 255 860)	(4 624 693)
The effects of change in foreign currency exchange rate	(83 395)	95 250	(82 669)	95 250
PROFIT (LOSS) BEFORE INCOME TAX	22 081 164	(91 643 374)	19 925 134	(91 643 374)
Income tax benefit (expenses)	(3 344 536)	14 608 816	(2 938 453)	14 608 816
NET PROFIT (LOSS)	18 736 628	(77 034 558)	16 986 681	(77 034 558)
NET BENEFIT (LOSS) PER SHARE	0,038	(0,156)	0,034	(0,156)



In accordance with the National Business Accounting Standards

	THE GROUP	THE COMPANY	
	2004	2004	2003 (AS RESTATED)
INCOME	741 584 773	741 584 773	698 095 332
Electricity sales income	735 933 265	735 933 265	692 726 110
Other income	5 651 508	5 651 508	5 369 222
EXPENSES	(839 814 747)	(839 814 021)	(685 996 323)
Electricity purchased	(327 536 440)	(327 536 440)	(318 050 813)
Depreciation, amortisation and decrease in value	(214 867 982)	(214 867 982)	(80 492 923)
Other expenses	(297 410 325)	(297 409 599)	(287 452 587)
GROSS PROFIT (LOSS)	(98 229 974)	(98 229 248)	12 099 009
OTHER ACTIVITIES	2 034 238	2 034 238	3 196 275
Income	5 275 356	5 275 356	4 073 830
Expenses	(3 241 118)	(3 241 118)	(877 555)
FINANCING AND INVESTING ACTIVITIES	(3 653 203)	(3 653 929)	(2 712 049)
Income	1 196 478	1 196 478	2 783 970
Expenses	(4 849 681)	(4 850 407)	(5 496 019)
PROFIT (LOSS) FROM NORMAL ACTIVITIES	(99 848 939)	(99 848 939)	12 583 235
GAIN			
EXTRAORDINARY LOSSES			
PROFIT (LOSS) BEFORE TAX	(99 848 939)	(99 848 939)	12 583 235
INCOME TAX BENEFIT (EXPENSES)	15 839 651	15 839 651	(187 518)
NET PROFIT (LOSS)	(84 009 288)	(84 009 288)	12 395 717



## Cash Flow Statement, Lt

In accordance with the International Accounting Standards

	THE GROUP		THE COMPANY	
	2005	2004 (AS RESTATED)	2005	2004 (AS RESTATED)
<b>OPERATING ACTIVITIES</b>				
Net profit (loss)	18 736 628	(77 034 558)	16 986 681	(77 034 558)
Adjustments to reconcile net profit to net cash provided by operating activities:				
Depreciation and amortisation	171 997 624	80 913 111	167 442 318	80 913 111
Increase in (recovery of) impairment of non-current assets	(695 254)	122 399 254	(695 254)	122 399 254
Recovery of decrease in value for receivables	(2 366 261)	(2 017 000)	(2 498 337)	(2 017 000)
Adjustment of inventories net realisable value	(593 242)	(94 902)	(778 066)	(94 902)
Net loss on sale and writing off of non-current assets	9 018 015	1 559 642	9 095 508	1 559 642
Income tax expenses (benefit)	3 344 536	(14 608 816)	2 938 453	(14 608 816)
Interest expenses	3 725 956	4 721 424	3 726 069	4 721 424
Interest income	(280 656)	(96 731)	(470 209)	(96 731)
The effect of change in foreign currency exchange rate	83 395	(118 260)	82 669	(118 260)
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL	202 970 741	115 623 164	195 829 832	115 623 164
Decrease (increase) in inventories	5 578 493	3 947 528	9 169 299	3 947 528
Decrease (increase) in receivables and prepayments	(8 736 825)	1 432 435	(7 965 640)	1 432 435
Increase in accounts payable and other liabilities	27 817 610	3 862 781	25 169 218	3 862 781
CASH GENERATED BY OPERATIONS	227 630 019	124 865 908	222 202 709	124 865 908
Interest paid	(3 725 956)	(4 507 192)	(3 704 829)	(4 507 192)
Income tax paid	(15 183 302)	(7 112 114)	(15 183 302)	(7 112 114)
NET CASH FROM OPERATING ACTIVITIES	208 720 761	113 246 602	203 314 578	113 246 602
<b>INVESTING ACTIVITIES</b>				
Acquisition of non-current assets	(163 256 038)	(134 460 237)	(156 802 843)	(134 460 237)
Proceeds from sale of non-current assets	1 138 414	3 478 496	1 072 526	3 478 496
Acquisition of subsidiaries			(30 000)	(60 000)
Loans granted			(2 000 000)	-
Loans recovered	772 175	615 278	772 175	615 278
Interests received	280 656	96 731	470 209	96 731
NET CASH USED IN INVESTING ACTIVITIES	(161 064 793)	(130 269 732)	(156 517 933)	(130 329 732)
<b>FINANCING ACTIVITIES</b>				
Loans received	10 358 400	140 914 099	10 358 400	140 914 099
Loans returned	(57 593 178)	(120 895 259)	(57 593 178)	(120 895 259)
Dividends paid		(7 583 378)		(7 583 378)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(47 234 778)	12 435 462	(47 234 778)	12 435 462
<b>INCREASE (DECREASE) IN NET CASH</b>	<b>421 190</b>	<b>(4 587 668)</b>	<b>(438 133)</b>	<b>(4 647 668)</b>
<b>CASH, BEGINNING OF THE YEAR</b>	<b>1 379 999</b>	<b>5 967 667</b>	<b>1 319 999</b>	<b>5 967 667</b>
<b>CASH, END OF THE YEAR</b>	<b>1 801 189</b>	<b>1 379 999</b>	<b>881 866</b>	<b>1 319 999</b>



In accordance with the National Business Accounting Standards

	THE GROUP	THE COMPANY	
	2004	2004	2003 (AS RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss)	(84 009 288)	(84 009 288)	12 395 717
Depreciation and amortisation expenses	81 036 969	81 036 969	73 404 302
Revaluation loss of non-current assets	130 604 819	130 604 819	
(Profit) loss from transfer of non-current assets	(252 152)	(252 152)	845 070
Decrease (increase) in amounts receivable after one year	615 278	615 278	1 622 666
Decrease (increase) in inventories	3 852 626	3 852 626	14 125 459
Decrease (increase) in prepayments	464 016	464 016	683 401
Decrease (increase) in contracts in progress			
Decrease (increase) in trade amounts receivable	(5 782 058)	(5 782 058)	6 739 524
Decrease (increase) in debts of subsidiaries and associates			
Decrease (increase) in other receivables	4 733 477	4 733 477	(3 074 905)
Decrease (increase) in other current assets			
Increase (decrease) in non-current debts to suppliers and prepayments received			
Increase (decrease) in current debts to suppliers and prepayments received	(10 843 140)	(10 843 140)	11 251 638
Increase (decrease) in profit tax liabilities (liabilities to budget)	2 759 568	2 759 568	1 484 421
Increase (decrease) of liabilities related to labour relations	(995 629)	(996 355)	(776 816)
Increase (decrease) of deferred taxes	(25 711 333)	(25 711 333)	(5 498 635)
Increase (decrease) of other sums payable and liabilities	(243 852)	(243 852)	8 151 476
Increase in deferred income from new customers	16 132 446	16 132 446	11 487 802
Elimination of the results of financing and investing activities	3 903 599	3 904 325	3 772 268
NET CASH FLOWS FROM OPERATING ACTIVITIES	116 265 346	116 265 346	136 613 388
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-current assets (excluding investments)	(134 433 049)	(134 433 049)	(124 647 698)
Transfer of non-current assets (excluding investments)	5 166 432	5 166 432	572 193
Acquisition of long-term investments		(60 000)	
Transfer of long-term investments			
Loans granted			
Loans recovered			
Dividends and interest received	96 731	96 731	140 030
Other increase in cash flows from investing activities			
Other decrease in cash flows from investing activities			
NET CASH FLOWS FROM INVESTING ACTIVITIES	(129 169 886)	(129 229 886)	(123 935 475)

(continued on the next page)



continued

ASSETS	THE GROUP	THE COMPANY	
	2004	2004	2003 (AS RESTATED)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash flows related to enterprise owners			
Emission of shares			
Owners' contributions against losses			
Purchase of own shares			
Dividends paid	(7 583 378)	(7 583 378)	(10 440 238)
Cash flows arising from other financing sources			
Increase in financial debts			
Loans received	140 914 100	140 914 100	38 685 000
Issue of bonds			
Decrease in financial debts			
Loans returned	(121 013 520)	(121 013 520)	(37 383 594)
Purchase of bonds			
Interest paid	(4 721 424)	(4 721 424)	(5 351 002)
Payments of lease (finance lease) liabilities			
Increase in other enterprise liabilities			
Decrease in other enterprise liabilities			
Other increase in cash flows from financing activities	721 094	721 094	1 438 704
Other decrease in cash flows from financing activities			
NET CASH FLOWS FROM FINANCING ACTIVITIES	8 316 872	8 316 872	(13 051 130)
CASH FLOWS FROM EXTRAORDINARY ITEMS			
Increase in cash flows from extraordinary items			
Decrease in cash flows from extraordinary items			
NET CASH FLOWS FROM EXTRAORDINARY ITEMS			
THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS BALANCE			
NET INCREASE (DECREASE) IN CASH FLOWS	(4 587 668)	(4 647 668)	(373 217)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	5 967 667	5 967 667	6 340 884
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	1 379 999	1 319 999	5 967 667





## Statement on changes in equity, Lt

In accordance with the International Accounting Standards

THE COMPANY

	Authorised capital	Revaluation reserve of non-current tangible assets	Legal reserve	Accumulated (deficit) earnings	Total
AS OF 31 DECEMBER 2003	492 404 653	35 356	31 435 860	(21 654 613)	502 221 256
Revaluation of non-current tangible assets (as restated)		1 740 966 732			1 740 966 732
Deferred tax liability recognised due to revaluation of non-current tangible assets value (as restated)		(261 145 010)			(261 145 010)
Loss for the reporting year (as restated)				(77 034 558)	(77 034 558)
Dividends				(7 583 378)	(7 583 378)
Reserves formed			10 625 068	(10 625 068)	
AS OF 31 DECEMBER 2004	492 404 653	1 479 857 078	42 060 928	(116 897 617)	1 897 425 042
Increase of the authorised capital	81 811 419	(81 811 419)			
Decrease of the authorised capital	(81 811 419)			81 811 419	
Use of legal reserve			(42 060 928)	42 060 928	
Increase in deferred tax liability due to revaluation of non-current tangible assets because of changes in the tax tariff		(8 394 023)			(8 394 023)
Decrease in revaluation reserve of non-current tangible assets		(123 719 243)		123 719 243	
Profit of the reporting period				16 986 681	16 986 681
AS OF 31 DECEMBER 2005	492 404 653	1 265 932 393		147 680 654	1 906 017 700



## THE GROUP

	Authorised capital	Revaluation reserve of non-current tangible assets	Legal reserve	Accumulated (deficit) earnings	Total
AS OF 31 DECEMBER 2003	492 404 653	35 356	31 435 860	(21 654 613)	502 221 256
Revaluation of non-current tangible assets (as restated)		1 740 966 732			1 740 966 732
Deferred tax liability recognised due to revaluation of non-current tangible assets value (as restated)		(261 145 010)			(261 145 010)
Loss for the reporting year (as restated)				(77 034 558)	(77 034 558)
Dividends				(7 583 378)	(7 583 378)
Reserves formed			10 625 068	(10 625 068)	
AS OF 31 DECEMBER 2004 (AS RESTATED)	492 404 653	1 479 857 078	42 060 928	(116 897 617)	1 897 425 042
Increase of the authorised capital	81 811 419	(81 811 419)			
Decrease of the authorised capital	(81 811 419)			81 811 419	
Use of legal reserve			(42 060 928)	42 060 928	
Increase in deferred tax liability due to revaluation of non-current tangible assets because of changes in the tax tariff		(8 394 023)			(8 394 023)
Decrease in revaluation reserve of non-current tangible assets		(123 719 243)		123 719 243	
Profit of the reporting period				18 736 628	18 736 628
AS OF 31 DECEMBER 2005	492 404 653	1 265 932 393		149 430 601	1 907 767 647

### 39. Comments on financial statements

The comments on Financial Statements of AB Rytų skirstomieji tinklai are attached to the Report – Prospectuses (Memorandums) (Annex 1 – Independent Auditor’s Report, Report on the Activities and Financial Statement covering the year that ended on 31 December 2005, p. 11 – 31).

The comments on Consolidated Financial Statements are attached the Report – Prospectuses (Memorandums) (Annex 2 – Independent Auditor’s Report and Consolidated Financial Statements covering year that ended on 31 December 2005, p. 8 – 27).

### 40. Report worked out by the Board of the Issuer or other management body executing the functions of the Board

The Report on the Activities of Rytų skirstomieji tinklai AB is attached to the Report – Prospectuses (Memorandums) (Annex 1 – Independent Auditor’s Report, Report on the Activities and Financial Statement covering the year that ended on 31 December 2005, p. 4 – 6).

### 41. Information on audit

The audit of Financial Statement of Rytų skirstomieji tinklai AB, also the audit of Consolidated Financial Statements of the Company and its subsidiaries as well as revision of the Report on the Activities was done by Deloitte Lietuva UAB.

Information on the audit firm that performed the audit

Address Jogailos st. 4, LT-01116 Vilnius



Code 1115 25235  
Telephone (8~5) 255 30 00  
Fax (8~5) 212 68 44  
Website [www.deloitte.lt](http://www.deloitte.lt)

The Auditor's Report is attached to the Report – Prospectuses (Memorandums) (Annex 1 – Independent Auditor's Report, Report on the Activities and Financial Statement covering the year that ended on 31 December 2005, p. 3, Annex 2 – Independent Auditor's Report and Consolidated Financial Statements covering year that ended on 31 December 2005, p. 3).



## VI. INFORMATION ON THE MANAGEMENT BODIES OF THE ISSUER

The Company has a General Meeting of Shareholders, a sole management body – a Company manager (Director General), a collegial supervision body – a Supervisory Board and a collegial management body – a Board.

The Supervisory Board of the Company consisting of 5 members is elected for a period of four years by the General Meeting of Shareholders. The Supervisory Board elects the members of the Board and deposes them. The Board of the Company consists of 5 members.

The Board elects and deposes the Company manager, fixes his salary, other conditions of labour contract, approves job regulations, awards bonuses and penalties.

### 42. Members of the management bodies

#### 42.1. Position, name, surname, data on the interest in the authorised capital of the Issuer

Table 42.1.1. Interest of the members of the Supervisory Board, the Board and the administration of the Company in the authorised capital of the Issuer

Name, surname	Position	Interest in the authorised capital, %	Share of votes, %
<b>SUPERVISORY BOARD (until 28/06/2005)</b>			
Anicetas Ignotas	Chairman	-	-
Eimutis Žvybas	Member	-	-
Saulius Spėčius	Member	-	-
Algimantas Burba	Member	-	-
Nijolė Bujauskienė	Member	-	-
<b>SUPERVISORY BOARD (elected on 28/06/2005 upon Decision of the General Meeting of Shareholders)</b>			
Anicetas Ignotas	Chairman	-	-
Mario Nullmeier	Member	-	-
Saulius Spėčius	Member	-	-
Aušra Pažėraitė	Member	-	-
Nijolė Bujauskienė	Member	-	-
<b>BOARD (re-elected on 04/07/2005 in the Meeting of the Supervisory Board)</b>			
Jonas Rimantas Kazlauskas	Chairman	-	-
Rimantas Milišauskas	Member	-	-
Rimvydas Rukšėnas	Member	0,00003	0,00003
Nijolė Sabonienė	Member	-	-
Algimantas Zaremba	Member	-	-
<b>ADMINISTRATION</b>			
Rimantas Milišauskas	Director General	-	-
Valdas Bancevičius	Grid Director	0,0001	0,0001
Saulius Kasparavičius	Supply Director	-	-
Arvydas Zakalskis	Finance Director	0,001	0,001
Rolandas Baškys	Procurement and Logistics Director	-	-
Rimantas Aliukonis	Law and Personnel Director	-	-
Antosė Muliuolienė	Chief Financier	0,000002	0,000002

#### 42.2. Data on the Chairman of the Board, Head of Administration and Chief Financier

**Rimantas Milišauskas** – Director General. Education – higher (university) education, Kaunas Institute of Polytechnics, profession – engineer-electrician.



Work places within the last 10 years and position:

from 10/10/1986 until 29/10/1993	Head of Marijampolė ENR of Alytus EN
from 29/10/1993 until 16/01/1996	Deputy Director of Branch Office Tena of LSES
from 16/01/1996 until 03/09/2001	Director of Branch Office Vilniaus elektros tinklai of Lietuvos energija AB
from 03/09/2001	Director of Rytų skirstomieji tinklai AB Administration, Director General

**Antosė Mulioliūnė** – Chief Financier. Education – Vilnius Finance and Credit College, profession – bookkeeping/accounting.

Work places within the last 10 years and position:

from 01/01/1992 until 31/12/2001	Chief Accountant of Branch Office Vilniaus elektros tinklai of Lietuvos energija AB
from 01/01/2002	Chief Financier of Rytų skirstomieji tinklai AB

**Jonas Rimantas Kazlauskas** – Chairman of the Board. Deputy Director of Energetikos agentūra VĮ (Energy Agency). Education – higher (university) education, Kaunas Institute of Polytechnics, profession - engineer, defended a thesis for a Doctor's degree.

42.3. Data on participation in the activities of other enterprises, agencies and organisations (name of the enterprise, agency and organisation, position), interest exceeding 5% in capital of enterprises and votes possessed, %)

Table 42.3.1. Participation of the members of the Supervisory Board, the Board and the Administration in the activities of other enterprises, agencies and organisations

Name, surname	Name of organisation, position	Interest in other companies' capital and votes, %
Anicetas Ignotas	Secretary of the Ministry of Economy of the Republic of Lithuania	-
	Chairman of the Supervisory Board of Lietuvos energija AB	-
	Member of the Supervisory Board „Kauno energija AB	-
Mario Nullmeier	Head of E.ON Ruhrgas International AG Baltija Office	-
Saulius Spėčius	Advisor to the Prime Minister of the Republic of Lithuania	-
	Member of the Board of Klaipėdos nafta AB	-
	Member of the Supervisory Board of Lietuvos energija AB	-
	Member of the Supervisory Board of Lietuvos elektrinė AB	-
Aušra Pažėraitė	Scientific officer at the Lithuanian Energy Institute	-
Nijolė Bujauskienė	Specialist at the National Property Privatisation and Management Division of the Enterprise Economy and Management Department of the Ministry of Economy of the Republic of Lithuania	-
	Member of the Supervisory Board of Lietuvos energija AB	-
	Member of the Supervisory Board of Lietuvos elektrinė AB	-
Jonas Rimantas Kazlauskas	Deputy Director of Energetikos agentūra VĮ (Energy Agency)	-
Rimvydas Rukšėnas	President of the Lithuanian Electricity Association	-
Nijolė Sabonienė	Specialist at the Share Management Division of Valstybės turto fondas VĮ (State Property Fund)	-
	Member of the Supervisory Board of Lietuvos jūrų laivininkystė AB	-
	Member of the Board of Gargždų mida UAB	-



Algimantas Zaremba	Director of the Energy Department of the Ministry of Economy of the Republic of Lithuania	-
	Member of the Board of Lietuvos energija AB	-
Rimantas Milišauskas	-	-
Valdas Bancevičius	Chairman of the Board Elektros tinklo paslaugos UAB	-
	Chairman of the Board of Tetas UAB	-
Saulius Kasparavičius	-	-
Arvydas Zakalskis	-	-
Rolandas Baškys	Chairman of the Board of Rytra UAB	-
Rimantas Aliukonis	Member of the Board of Elektros tinklo paslaugos UAB	-
Antosė Muliulienė	-	-

42.4. Data on previous still valid convictions of the members of the management bodies with regard to crimes related to property, work and administration procedures, finances.

The members of the management bodies of the Company have no still valid convictions with regard to crimes related to property, work and administration procedures, finances.

42.5. Data on the beginning and end of the term of office with regard to every member of the management bodies

The Supervisory Board of Rytų skirstomieji tinklai AB was elected on 28 June 2005 at the General Meeting of Shareholders. The Supervisory Board has been elected for four years.

The Board of the Company was elected on 4 July 2005 for the term of four years.

### 43. Information on payoffs and credits to the members of the management bodies

43.1. Information on the total amount of wages, annual payments and other payoffs from profit paid by the Issuer within the reporting period and the average amount per person (by the aforementioned categories of persons)

Table 43.3.1. Information on payoffs to the members of the management bodies of the Issuer

	Wages estimated, Lt	Annual payments, Lt (paid in 2005)	Other payoffs from profit (dividends), Lt
For the members of the Supervisory Board	-	-	-
For all members of the Board (5)	-	-	-
Per member of the Board in average	-	-	-
For all members of administration (7)	1 209 209	-	-
Per member of the administration in average	172 744	-	-

43.2. The amount of wages, annual payments and other payoffs from profit paid to the members of the Supervisory Board, the Board and the administration of the Issuer within the reporting period received from the companies where the interest of the Issuer in the authorised capital exceeds 20%.

No payoffs.

43.3. Loans granted, guarantees and warranties provided to the members of the management bodies within the reporting period which secure discharge of their liabilities.

No.



#### **44. Transactions with the interested persons**

There were no transactions concluded with the related persons at non-market prices.



## VII. NEW AND SIGNIFICANT EVENTS IN THE ACTIVITIES OF THE ISSUER AND THEIR PERSPECTIVES

### 45. New events in the activities of the Issuer

The General Meeting of Shareholders of Rytų skirstomieji tinklai AB held on 26 April 2006 resolved:

- To take into consideration the Auditor's Report when approving Financial Statement of the Company for the year 2005;
- To approve the Report on Activities of the Company for the year 2005;
- To approve Financial Statement of the Company for the year 2005;
- To approve appropriation of profit (loss) of the Company for the year 2005:

1. Retained earnings (loss) at the beginning of the reporting year	6 974 730 Lt
2. Net profit (loss) of the reporting year	16 986 681 Lt
3. Transfer from the revaluation reserve	123 719 243 Lt
4. Distributable profit (loss) of the reporting year	147 680 654 Lt
4.1. profit allocation to legal reserve	49 240 465 Lt
4.2. profit allocation to other reserves	60 574 527 Lt
4.3. profit allocation to pay out dividends	34 468 326 Lt
4.4. profit allocation to yearly payoffs (annual payments) to the Board members, bonuses of employees and other purposes	3 397 336 Lt
4.4. 1. support	2 000 000 Lt
4.4.2. annual payments	50 000 Lt
4.4.3. bonuses of employees and other purposes	1 347 336 Lt
5. Retained earnings (loss) of the reporting period	0 Lt

- To elect the audit firm PricewaterhouseCoopers UAB as the auditor for the purpose of performing the audit of Financial Statements of the Company for the years 2006-2007 and set a remuneration price for audit services in value of LTL 103 840 per year (including VAT).

The ordinary registered share at par value of LTL 1 of Rytų skirstomieji tinklai was allocated LTL 0,07 of dividends (before taxes). Entities that were shareholders of the Company at the end of the day on which the General Meeting of Shareholders announced the dividend issue, i.e. on 26 April 2006, had the right to receive dividends.

On 27 April 2006, it was announced that the preliminary results of the Company's activities during the first quarter of 2006 in accordance with the International Accounting Standards were as follows: unaudited profit before taxes was LTL 25,8 million, income from operating activities, as compared to the first quarter of 2005 when it was LTL 230,4 million, increased by 12,4% up to LTL 258,9 million.

### 46. Significant events in the activities of the Issuer

The General Meeting of Shareholders was held on 28 April 2005 wherein it was resolved to take into consideration the Auditor's Report when approving Financial Statement of the Company for the year 2004, a Report on the Activities of the Company and Financial Statement of the Company for the year 2004 were approved. The Meeting approved the Company's profit (loss) appropriation for the year of 2004: net loss of the reporting financial year amounts to LTL 84 009 288; distributable loss makes LTL 124 092 047 Lt; transfers from reserves amount to LTL 42 280 628; retained losses at the end of the reporting financial year moved to the financial years of 2005 make LTL 81 811 419. It was also resolved to increase the authorised capital of the Company from revaluation reserve by LTL 81 811 419 and to issue new ordinary registered shares at par value of LTL 1 per share as well as to distribute them to the shareholders pro rata par value of shares belonging to them on 28 April 2005. The Board of the Company was committed to convene an Extraordinary Meeting of Shareholders regarding reduction of the authorised capital by covering losses





recorded into the Balance Sheet of the Company for the year 2004. Point 5.1 of the Articles of Association of Rytų skirstomieji tinklai AB was amended as follows: “The authorised capital of the Company amounts to LTL 574 216 072. The authorised capital of the Company has been divided into 574 216 072 ordinary registered shares at par value of LTL 1 per share.” The issues regarding the increase of the authorised capital by non-pecuniary contributions and revocation of pre-emptive right of the shareholders to subscribe for shares issued by the Company shall not be discussed. The Meeting also resolved not to recall the member of the Supervisory Board of Rytų skirstomieji tinklai AB and not to elect a new member of the Supervisory Board of Rytų skirstomieji tinklai AB.

On 29 April 2005, the Company reported that the preliminary results of the Company’s activities during the first quarter of 2005 in accordance with the International Accounting Standards were LTL 5,8 million of unaudited net profit.

On 9 June 2005, a new wording of the Articles of Association of Rytų skirstomieji tinklai AB (regarding the increased authorised capital) was registered in the Register of Legal Entities. The authorised capital amounted to LTL 574 216 072; it has been divided into 574 216 072 ordinary registered shares at par value of LTL 1 per share.

An Extraordinary Meeting of Shareholders was held on 28 June 2005 where it was resolved to reduce the authorised capital of the Company of LTL 81 811 419 by annulling 81 811 419 ordinary registered shares at par value of LTL 1 per share and to recover losses recorded in the Balance Sheet of the Company as of 1 December 2004. Point 5.1 of the Articles of Association of Rytų skirstomieji tinklai AB was amended as follows: “5.1. The authorised capital of the Company amounts to LTL 492 404 653. The authorised capital of the Company has been divided into 492 404 653 ordinary registered shares at par value of LTL 1 per share.” The Director General of the Company has been authorised to sign a new amended wording of the Articles of Association of Rytų skirstomieji tinklai AB and to submit it to the SE Centre of Registers. The Supervisory Board of the Company has been recalled. The following persons were elected to the Supervisory Board of the Company: Anicetas Ignotas, Saulius Spėčius, Nijolė Bujauskienė, Aušra Pažeraitė and Mario Nullmeier.

On 4 July 2005, a Meeting of the Supervisory Board of Rytų skirstomieji tinklai AB was held where Anicetas Ignotas was elected as a Chairman of the Supervisory Board of the Company and the members of the Board of Rytų skirstomieji tinklai AB were recalled. The following persons were elected to the Board: Rimantas Jonas Kazlauskas, Rimantas Milišauskas, Rimvydas Rukšėnas, Nijolė Sabonienė and Algimantas Zaremba. These persons were also the members of the previous Board.

On 26 July 2005, it was announced that the preliminary results of the Company’s activities during the first half of 2005 in accordance with the International Accounting Standards were LTL 11,7 million of unaudited profit before tax.

On 1 August 2005, a new wording of the Articles of Association of Rytų skirstomieji tinklai AB (regarding the reduction of the authorised capital) was registered in the Register of Legal Entities. The authorised capital amounted to LTL 492 404 653; it has been divided into 492 404 653 ordinary registered shares at par value of LTL 1 per share.

On 25 October 2005, it was reported that the preliminary results of the activities of Rytų skirstomieji tinklai AB during three quarters of 2005 in accordance with the International Accounting Standards were LTL 15,9 million of unaudited profit before tax and LTL 2,4 million of net profit.

On 15 November 2005, it was reported that the Board of the Company resolved:

1. To increase the authorised capital of the subsidiary Rytra UAB by the contribution in kind of LTL 10 425 000 up to LTL 22 998 000. Par value of one share of Rytra UAB amounts to LTL 1.
2. To increase the authorised capital of the subsidiary Elektros tinklo paslaugos UAB by the contribution in kind of LTL 7 547 000 up to LTL 11 657 000. Par value of one share of Elektros tinklo paslaugos UAB amounts to LTL 1.

On 29 November 2005, the Company reported that the Board of the Company resolved to establish a subsidiary company Tetas UAB managed by the Company by 100% that will be transferred the functions of the network maintenance service of the Company with appropriate material, financial and human resources.



#### **47. Strategy of the activities and changes foreseen in the current and nearest financial years**

Activity plans of the Company and forecasts for 2006.

It is planned that sales income in 2006 will amount to LTL 875,3 million, i.e. LTL 21,1 million or by 2,5% more than in 2005 m. In 2006, it is planned to sell 3,779 million kWh electricity, i.e. by 2,7% more than in 2005. It is forecasted that in 2006 Rytų skirstomieji tinklai AB will earn LTL 17,7 million of profit before tax. In 2006, expenses will remain relatively the same as in 2005 and will amount to LTL 351,5 million.

It is foreseen to invest LTL 170 million in 2006. The main investing trends will be connection of new equipment of the customers, reconstruction of transformer substations and the development of 0,4-10 kV electricity network.

A great attention will be paid to the increase of efficiency in the operations of the Company and its subsidiaries and the improvement of services provided to the customers.