

*Translation
from
Lithuanian*

AB Rytų skirstomieji tinklai
(Eastern Distribution Networks)
Company's code: 110870890, address: P.Lukšio str. 5b, Vilnius

BALANCE SHEET

(prepared according to the International Financial Reporting Standards)

March 31, 2006

No	ASSETS	31-03-2006	31-12-2005
A.	NON-CURRENT ASSETS	2359 275 724	2384 306 980
I.	INTANGIBLE ASSETS	2 738 628	3 112 570
I.1.	Development works	209 168	235 309
I.2.	Goodwill		
I.3.	Patents, licenses		
I.4.	Software	2 529 460	2 877 261
I.5.	Other intangible assets		
II.	TANGIBLE ASSETS	2313 160 039	2339 683 764
II.1.	Land		
II.2.	Buildings and constructions	2031 693 740	2054 815 486
II.3.	Machinery and equipment	209 045 103	212 283 415
II.4.	Vehicles	34 833	176 405
II.5.	Other equipment, devices, tools and machinery	39 431 813	40 545 688
II.6.	Construction in progress	30 037 045	29 646 774
II.7.	Other tangible assets	2 917 505	2 215 996
III.	FINANCIAL ASSETS	43 377 057	41 510 646
III.1.	Investments in subsidiary and associated companies	36 643 000	34 685 000
III.2.	Loans to subsidiary and associated companies		
III.3.	Amounts receivable after one year	6 734 057	6 825 646
III.4.	Other financial assets		
B.	CURRENT ASSETS	110 874 545	92 262 331
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS	4 014 397	5 144 391
I.1.	Inventories	2 388 228	3 576 038
I.1.1.	Raw materials and supplies	2 201 840	3 234 878
I.1.2.	Work in progress		
I.1.3.	Finished goods		
I.1.4.	Current assets for sale	186 388	341 160
I.2.	Prepayments	1 626 169	1 568 353
I.3.	Contracts in progress		
II.	AMOUNTS RECEIVABLE WITHIN ONE YEAR	88 785 659	86 236 074
II.1.	Debts of purchasers	82 355 661	80 446 387
II.2.	Debts of subsidiary and associated companies	2 351 339	215 198
II.3.	Loans to subsidiary and associated companies	3 000 000	2 000 000
II.4.	Other amounts receivable	1 078 659	3 574 489

III.	OTHER CURRENT ASSETS	17 000 000	
III.1.	Short-term investments		
III.2.	Fixed-date deposits	17 000 000	
III.3.	Other current assets		
IV.	CASH AND CASH EQUIVALENTS	1 074 489	881 866
	ASSETS, TOTAL	2470 150 269	2476 569 311

No	EQUITY AND LIABILITIES	31-03-2006	31-12-2005
C.	EQUITY	1926 175 773	1906 017 700
I.	CAPITAL	492 404 653	492 404 653
I.1.	Authorised (subscribed)	492 404 653	492 404 653
I.2.	Subscribed capital unpaid (-)		
I.3.	Share premium account		
I.4.	Own shares (-)		
II.	REVALUATION RESERVE (RESULTS)	1233 767 131	1265 932 393
III.	RESERVES		
III.1.	Established by law		
III.2.	Reserve for buying own shares		
III.3.	Other reserves		
IV.	RETAINED EARNINGS (LOSSES)	200 003 989	147 680 654
IV.1.	Reporting year retained earnings (losses)	32 165 262	123 719 243
IV.2.	Reporting year profit (losses)	20 158 073	16 986 681
IV.3.	Previous year profit (losses)	147 680 654	6 974 730
D.	AMOUNTS PAYABLE AND LIABILITIES	543 974 496	570 551 611
I.	AMOUNTS PAYABLE AFTER ONE YEAR AND LONG-TERM LIABILITIES	379 083 636	377 990 194
I.1.	Financial debts	85 318 688	85 318 688
I.1.1.	Leasing (financial rent) and similar liabilities		
I.1.2.	To credit institutions	85 318 688	85 318 688
I.1.3.	Other financial debts		
I.2.	Grants, subsidies	4 001 337	4 033 540
I.3.	Debts for suppliers	831 209	666 852
I.4.	Prepayments received		
I.5.	Provisions		
I.6.	Deferred taxes	244 881 991	248 881 991
I.7.	Income gained from the customers in the coming period	44 050 411	39 089 123
I.8.	Other amounts payable and long-term liabilities		
II.	AMOUNTS PAYABLE WITHIN ONE YEAR AND SHORT-TERM LIABILITIES	164 890 860	192 561 417
II.1.	Current portion of long-term debts	11 394 240	11 394 240
II.2.	Financial debts	19 723 119	28 046 269
II.2.1.	Credit institutions	19 723 119	28 046 269
II.2.2.	Other debts		
II.3.	Debts for suppliers	75 410 238	108 816 082
II.4.	Prepayments received	20 759 893	18 666 488
II.5.	Profit tax liabilities	20 605 294	15 404 718
II.6.	Work relationship liabilities	5 104 778	2 167 219
II.7.	Provisions		
II.8.	Income gained from the customers in the coming period	2 664 005	3 552 006
II.9.	Other amounts payable and short-term liabilities	9 229 293	4 514 395

	EQUITY AND LIABILITIES, TOTAL	2470 150 269	2476 569 311
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Finance Director

Arvydas Zakalskis

Chief Financier

Antosė Mulioliene

Rytų skirstomieji tinklai
(Eastern Distributional Networks)

Company's code: 110870890, address: P.Lukšio str. 5b, Vilnius

PROFIT (LOSSES) STATEMENT

(prepared according to the International Financial Reporting Standards)

March 31, 2006

No	Items	31-03-2006	31-03-2005
1	REVENUE	258 863 964	230 396 671
1.1	Revenue from sales	256 585 186	227 504 912
1.2	Other revenue	2 278 778	2 891 759
2	EXPENSES	233 732 695	218 636 750
2.1	Purchased power energy	105 295 424	95 233 712
2.2	Depreciation, amortisation	41 711 344	38 680 215
2.3	Other expenses	86 725 927	84 722 823
3	PROFIT FROM OPERATIONS (LOSSES)	25 131 269	11 759 921
4	OTHER OPERATIONS	777 870	(2 581 096)
4.1	Other operating revenue	1 519 656	910 928
4.2	Other operating expenses	741 786	3 492 024
5	FINANCIAL AND INVESTING ACTIVITIES	(112 334)	(1 005 263)
5.1	Revenue	725 806	218 464
5.2	Expenses	838 140	1 223 727
6	PROFIT (LOSSES) BEFORE TAXES	25 796 805	8 173 562
7	INCOME AND SOCIAL TAXES	5 638 732	2 370 000
8	NET PROFIT (LOSSES)	20 158 073	5 803 562

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AB Rytų skirstomieji tinklai
(Eastern Distribution Networks)

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Statement of Equity Changes

(prepared according to the International Financial Reporting Standards)

March 31, 2006

	Capital	Revaluation reserve	Required reserve	Other reserves	Accumulated profit (loss)	Total
Balance as of December 31, 2004	492 404 653	1500 944 386	42 060 928	219 700	(124 091 323)	1911 538 344
Reduction of the revaluation reserve of long-term tangible assets		(35 713 569)			35 713 569	-
Profit (loss) of the reporting period					5 803 562	5 803 562
Balance as of March 31, 2005	492 404 653	1465 230 817	42 060 928	219 700	(82 574 192)	1917 341 906
Increase of the authorised capital	81 811 419	(81 811 419)			-	-
Reduction of the authorised capital	(81 811 419)				81 811 419	-
Use of reserves			(42 060 928)	(219 700)	42 280 628	-
Reduction of the revaluation reserve of long-term tangible assets		(88 005 674)			88 005 674	-
Increase of the deferred income tax obligation to the revalued long-term assets because of the change in the income tax rate.		(8 394 023)				(8 394 023)
Basic error correction (Reduction of revaluation reserve)		(21 087 308)				(21 087 308)
Basic error correction (Profit not recognized in the profit (losses) statement)					6 974 006	6 974 006
Profit (loss) of the reporting period					11 183 119	11 183 119
Balance as of December 31, 2005	492 404 653	1265 932 393	-	-	147 680 654	1906 017 700
Reduction of the revaluation reserve of the long-term tangible assets		(32 165 262)			32 165 262	-
Profit (loss) of the reporting period					20 158 073	20 158 073
Balance as of March 31, 2006	492 404 653	1233 767 131	-	-	200 003 989	1926 175 773

Finance Director

Arvydas Zakalskis

Chief Financier

Antosė Muliuliene

AB Rytų skirstomieji tinklai (Eastern Distribution Networks)

Company's code: 110870890, address: P.Lukšio str. 5b, Vilnius

Cash flow statement

(prepared according to the International Financial Reporting Standards)
March 31, 2006

	31-03-2006	31-03-2005
I. Cash flows of operating activities		
I.1 Net profit (loss)	20 158 073	5 803 562
Replacement of non-cash expenses (revenue) and other adjustments:		
I.2 Depreciation and amortisation	41 711 344	38 680 295
I.3 Loss of sold and written-off assets	916 365	3 636 694
I.4 Reduction (replacement) of the value of the long-term assets	(234 498)	(29 684)
I.5 Reduction (replacement) of the value of amounts receivable	1 274 670	2 599 047
I.6 Reduction (replacement) of reserves value	(304 667)	(163 853)
I.7 Income tax expenses	5 638 732	2 370 000
I.8 Interest revenue	(142 675)	(60 750)
I.9 Interest expenses	822 103	1 140 305
I.10 Influence of the exchange rate	-	45 191
Total	69 839 447	54 020 807
Changes in working capital		
I.11 Reduction (increase) of inventories	1 492 477	5 195 071
I.12 Reduction (increase) of amounts received from purchasers	(3 185 458)	(9 882 671)
I.13 Reduction (increase) of other amounts receivable and prepayments	303 387	(10 872 413)
I.14 Increase (reduction) of trade debts	(33 241 487)	(65 596 984)
I.15 Increase (reduction) of other debts	13 972 125	45 104 510
I.16 (Paid) income tax	(4 438 156)	(1 425 961)
Cash flows of operating activities	44 742 335	16 542 359
II. Cash flows of investment activities		
II.1 Long-term assets (acquisition)	(17 485 747)	(15 185 000)
II.2 Investments (acquisition)	-	-
II.3 (Granted) loans	(1 000 000)	-
II.4 Reduction (increase) of long-term amounts receivable	91 589	144 460
II.5 Received interests	142 675	60 750
Cash flows of investment activities	(18 251 483)	(14 979 790)
III. Cash flows of financial activities		
III.1 Dividends (payment)	-	-
III.2 Received loans	-	10 358 400
III.3 Loans (repayment)	(8 323 150)	(10 122 774)
III.4 Interest (payment)	(975 079)	(1 345 123)
III.5 Reduction (increase) of term deposits	(17 000 000)	-
Cash flows of financial activities	(26 298 229)	(1 109 497)
IV. The influence of the changes in the exchange rate on cash balance	-	-
V. Increase (reduction) cash flows	192 623	453 072
VI. Money and money equivalents at the beginning of the period	881 866	1 319 999
VII. Money and money equivalents at the end of the period	1 074 489	1 773 071

Finance Director

Arvydas Zakalskis

Chief Financier

Antosė Muliuolienė

Explanatory Note

March 31, 2006

Rytų Skirstomieji Tinklai AB (Eastern Distribution Networks) (hereinafter – the Company) is a Public Stock Company, registered in the Republic of Lithuania. In December 31, 2001 the Company was registered in the Register of Companies. The Company's shares are in the current list of Vilnius Stock Exchange.

The Company's address:

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

The Company was registered after the reorganization of the special purpose entity Lietuvos Energija. Since the reorganization the Company has been performing the functions of a distribution network operator and a public supplier.

The activity of Rytų Skirstomieji Tinklai AB is regulated by the Law on Electricity of the Republic of Lithuania, No VIII-1881, adopted in July 20, 2000.

The National Control Commission for Prices and Energy regulated the Company's price policy through adopting the highest possible limits of the public supplier's prices.

In order to separate Company's activities from the transportation and electricity networks services, it established its subsidiaries Elektros Tinklo Paslaugos UAB, Rytra UAB, and Tetas UAB. Elektros Tinklo Paslaugos UAB and Rytra UAB were registered in the Registry of Legal Persons in December 8, 2004, and Tetas UAB was registered in the Registry of Legal Persons in December 8, 2005.

Company and its subsidiaries' addresses are the following:

Name of the Company/subsidiaries	Addresses
Administration of Rytų Skirstomieji tinklai AB	Lukšio g. 5 b, Vilnius
Rytra UAB	Geologų g. 16, Vilnius
Elektros tinklo paslaugos UAB	Motorų g. 2, Vilnius
Tetas UAB	Senamiesčio g. 102 B, Panevėžys.

In March 31, 2006 the Company's staff consisted of 2125 employees.

The financial reporting is prepared according to the International Financial Reporting Standards (IFRS), Accounting Law of the Republic of Lithuania, Law on the Financial Statements of Entities of the Republic of Lithuania and other legal acts. The financial reporting is prepared according to the principle of acquisition value except for the revaluation of particular long-term tangible assets.

All the amounts listed in the financial reporting are presented in Lithuanian national currency Litas (LTL) due to the fact that the majority of Company's operations is performed using this currency.

The Company's financial reportings of the year-to-date and previous year's first quarters are not audited, while the financial reporting as of December 31, 2005 is audited.

Long-term intangible assets are calculated according to the acquisition value, excluding accumulated amortisation and losses due to value reduction.

Amortisation is calculated according to the direct proportional (linear) method. The residual cost is not calculated. In the profit (loss) statement the amortisation expenses are attributed to depreciation, amortisation and value reduction expenses.

Losses of the value reduction of intangible assets and written-off assets are attributed to the depreciation, amortisation and value reduction expenses listed in the profit (loss) statement.

Profit or loss made from the transfer of long-term intangible assets is recognised in profit (loss) statement of that year.

Long-term tangible assets are calculated according to the revalued value, subtracting later accumulated depreciation and value reduction of the assets. The revalued value is a fair value of assets as determined in the results of revaluation performed by independent property valuers, Korporacija Matinkai UAB in December 31, 2003. The revaluation results were registered in the accounting as of December 1, 2004.

Depreciation is calculated directly, using the proportional method for the respective period of the estimated useful service life of the assets. The revalued assets are depreciated within its remaining service life. The residual cost equals to LTL 1. The amortisation expenses are attributed to depreciation, amortisation and value reduction expenses listed in the profit (loss) statement.

The cost of the investments into the subsidiaries is calculated subtracting the value reduction expenses, when the book value exceeds the estimated recoverable value. The received dividends are calculated in the profit (loss) statement once the shareholder's right to receive the money is established.

Inventories are presented in a lesser cost or net realisable value. The cost is determined according to the FIFO method.

Trade amounts receivable at the time are calculated according to its fair value. The value reduction of amounts receivable is formed and recognised in the profit (loss) statement only in the presence of objective evidence indicating the reduction of the correspondent assets value. The amount of the reduced value is calculated according to the difference between the carrying amount and estimated cash flows which are discounted according to the present value of the effective interest rate valid at the time of the initial recognition.

At the time of the initial recognition the trade amounts receivable are calculated according to their fair value and later are valued according to their amortised cost, applying an effective interest rate method.

Interests paid for the bank loans and overdrafts at the time are calculated according to their fair value and later are recognized as amortised cost, applying an effective interest rate. Any difference between the earnings (including transaction expenses) and debt redemption is recognised within the period of borrowing and stated in the profit (loss) statement.

In the first quarter of year 2006 the Company sold 1117.1 m kWh of electricity and exceeded its sales by 125 m kWh or 12. per cent as compared with the same period of last year, and bought 1272.0 m kWh, exceeding by 10.0 per cent or 115.5 m. kWh as compared with the same period of last year.

In the first quarter of 2006 the average electricity cost amounted to 8.28 ct/kWh, which increased by 0.04 ct/kWh as compared with the same period of last year. The increase of the cost was affected by the increase of additional electricity purchase cost, amounting to 1.5 ct/kWh which in turn was

prompted by a larger amount of more expensive electricity bought by a market operator from the Lithuanian power-station.

During the first quarter of 2006 the revenue from the operating activities grew faster than variable expenses, amounting to respectively 12.4 per cent and 10.6 per cent. In the first quarter of 2006 the relatively fixed expenses increased by 0.6 per cent (LTL 0.5 m) as compared with the same period of last year and accounted for LTL 85.6 m. During the first quarter of the year the depreciation expenses (LTL 3.0 m), wage costs (LTL 1.1 m) and maintenance expenses (LTL 1.4 m) mostly increased as compared with the same period of last year. Other relatively fixed expenses reduced by 21.4 per cent amounting to LTL 5.1 m. This reduction in expenses was mainly prompted by the reduction in taxes (LTL 1.2 m), value (LTL 1.8 m), and measuring instruments (LTL 0.4 m) expenses.

In the first quarter of 2006 the Company earned LTL 25.8 m in pre-tax non-audited profit, i.e. LTL 17.6 more as compared with the same period of last year. A rise in profit was affected by increase in electricity sales by 12.6 per cent due to a colder weather as well as better results in financial and other activities.

In the first quarter of 2006 Company's financial debts reduced by 8.4 per cent, amounting to LTL 116.4 m.