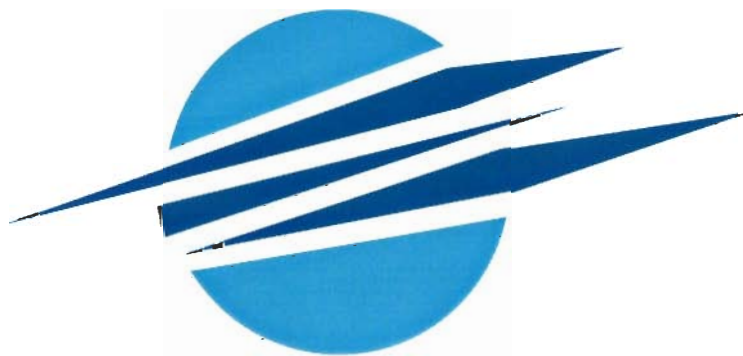


*Rytų skirstomieji tinklai AB*  
*Semi-annual report for the first half-*  
*year of 2006*



Akcinė bendrovė  
**RYTŲ SKIRSTOMIEJI TINKLAI**

## CONTENTS

I. GENERAL PROVISIONS .....	3
1. Reference period covered by the report.....	3
2. Basic data on the issuer.....	3
3. Information on the place and time concerning the possibility to access the report and the documents used for its preparation, and designation of mass media .....	3
4. Persons responsible for the information provided in the report .....	3
5. Affirmation by the issuer's members of the managing bodies, employees and administrative director responsible for the report's preparation that all the information provided in the report is true and there no concealed facts that could influence investors' decisions on purchasing or selling issuer's securities, as well as market price and ranking of those securities.....	4
II. INFORMATION ON THE ISSUER'S AUTHORISED CAPITAL, ISSUED SECURITIES AND MEMBERS OF MANAGING BODIES .....	5
6. Issuer's authorised capital.....	5
7. Shareholders .....	5
8. Securities not held as participating interests, yet the turnover of which is regulated by the Law on the Securities Market .....	5
9. Secondary turnover of issuer's securities .....	5
10. Agreements with intermediaries of public trading in securities .....	6
11. Members of managing bodies.....	6
III. FINANCIAL SITUATION .....	8
12. Balance sheet .....	8
13. Profit (loss) account .....	13
14. Statement of cash flow .....	13
15. Changes in equity capital account .....	13
16. Notes on the accounts .....	13
17. Information on audits.....	16
IV. MATERIAL EVENTS IN ISSUER'S ACTIVITIES .....	16
18. Material events in issuer's activities.....	16
19. Judicial and arbitral proceedings .....	17

## I. GENERAL PROVISIONS

### 1. Reference period covered by the report

Report covers the first half-year of 2006.

### 2. Basic data on the issuer

<b>Company name</b>	<b>Rytų skirstomieji tinklai AB</b>
<b>Code</b>	1108 70890
<b>Authorised capital</b>	492 404 653 Lt
<b>Address</b>	P. Lukšio str. 5B, LT-08221 Vilnius
<b>Telephone</b>	(8~5) 277 75 24
<b>Fax</b>	(8~5) 277 75 14
<b>E-mail</b>	<a href="mailto:info@rst.lt">info@rst.lt</a>
<b>Web page</b>	<a href="http://www.rst.lt">www.rst.lt</a>
<b>Legal-organisational form</b>	Public limited liability company, private legal entity of <b>limited</b> civil liability
<b>Registration date and place</b>	On the 31 <sup>st</sup> December 2001 in the Ministry of Economy of the Republic of Lithuania
<b>Register where data about the company is kept and stored</b>	Register of Legal Enterprises
<b>Register keeper</b>	Department for registration of legal enterprises, Vilnius branch of state enterprise Register of Legal Enterprises

### 3. Information on the place and time concerning the possibility to access the report and documents used for its preparation, and designation of mass media

The present report and documents used for its preparation may be accessed at the company's registered office: P. Lukšio st. 5B, Vilnius, room 510, on weekdays 7.30-11.30 and 12.30-16.30.

Mass media used by Rytų skirstomieji tinklai AB are: dailies "Lietuvos Rytas" and "Respublika", Lithuanian news agency *ELTA*, news agency *BNS*.

### 4. Persons responsible for the information provided in the report

4.1. Issuer's members of managing bodies, employees and administrative director are responsible for the report

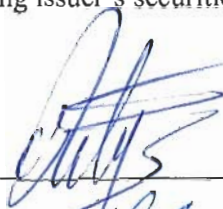
Rimantas Milišauskas, Managing Director, tel. (8~5) 251 26 50, fax (8~5) 277 75 14

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

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

5. Affirmation by the issuer's members of managing bodies, employees and administrative director responsible for the report's preparation that all information provided in the report is true, and there are no concealed facts that could influence investors' decisions on purchasing or selling issuer's securities, as well as market price and ranking of those securities

Managing Director **Rimantas Milišauskas**




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Finance Director **Arvydas Zakalskis**



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Specialist of Assets Management Department **Artur Grigorian**



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Date of signing the report – August 28, 2006

Report preparation place – Rytų skirstomieji tinklai AB (P. Lukšio st. 5B, Vilnius)

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

### 6. Issuer's authorised capital

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

All Rytų skirstomieji tinklai AB shares are fully-paid.

Table 6.1.1 Structure of authorised capital

Types of shares	Number of shares (units)	Nominal value (LTL)	Total nominal value (LTL)	Portion in authorised capital, (percent)
Ordinary registered shares	492 404 653	1	492 404 653	100.00

#### 6.2. Information on the expected increase of authorised capital in relation with issued debt securities or derivatives converted or exchanged into shares

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

### 7. Shareholders

On June 30, 2006 a total number of Rytų skirstomieji tinklai AB shareholders was 6 012.

Table 7.1. On June 30, 2006 shareholders had property rights to more than 5 percent of issuer's authorised capital

Shareholder's name, surname (company name, legal form, registered office, code)	Number of ordinary registered shares owned by shareholder (units)	Portion owned in authorised capital (percent)	Portion of votes granted by shares owned (percent)	Portion of votes belonging to shareholders and associated persons (percent)
STATE, represented by THE MINISTRY OF ECONOMY OF THE REPUBLIC OF LITHUANIA Gedimino pr. 38/2, Vilnius 1886 21919	351 316 161	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	----

### 8. Securities not held as participating interests, yet their turnover is regulated by the Law on the Securities Market

Rytų skirstomieji tinklai AB has not issued any securities not held as participating interests, yet their turnover is regulated by the Law on the Securities Market.

### 9. Secondary turnover of issuer's securities

"Rytų skirstomieji Tinklai" AB ordinary registered shares are listed in the Current List of "Vilniaus Vertybinių Popierių Birža" AB, hereinafter - VVPB.

Table 9.1. Basic characteristics of Rytų skirstomieji tinklai AB shares

Type of shares	Securities' ISIN code	Number of shares (units)	Nominal value (LTL)	Total nominal value (LTL)
Ordinary registered shares	LT0000126385	492 404 653	1	492 404 653

Table 9.2. Trade in Rytų skirstomieji tinklai AB ordinary registered shares in VVPB

Reference period	Price (LTL)			Turnover (LTL)			Last session date	Total turnover	
	max.	min.	last session	max.	min.	last session		Units	LTL
I quarter of 2006	2.85	2.21	2.62	2 278 116	0	23 140.42	31-03-2006	4 841 456	11 452 355.29
II quarter of 2006	2.61	2.17	2.35	1 337 538	0	53 915.02	30-06-2006	2 313 330	5 548 886.69

## 10. Agreements with intermediaries of public trading in securities

Rytų skirstomieji tinklai AB and "Finasta" FMI AB (Konstitucijos pr. 23, Vilnius, tel. (8~5) 278 68 33) have signed an agreement on the accounting of securities issued by the company and payment of dividends to company's shareholders.

## 11. Members of managing bodies

### 11.1. Position, names and surnames, data on the participation in the issuer's authorised capital

Table 11.1.1 Rytų skirstomieji tinklai AB members of managings bodies

Name, surname	Position	Portion of owned authorised capital (percent)	Portion of votes (percent)
<b>SUPERVISORY BOARD</b>			
Anicetas Ignotas	Chairman	-	-
Mario Nullmeier	Member	-	-
Saulius Spėčius	Member	-	-
Aušra Pažėraitė	Member	-	-
Nijolė Bujauskienė	Member	-	-
<b>BOARD</b>			
Jonas Rimantas Kazlauskas	Chairman	-	-
Rimantas Milišauskas	Member	-	-
Rimvydas Rukšėnas	Member	0.00003	<b>0.00003</b>
Nijolė Sabonienė	Member	-	-
Algimantas Zaremba	Member	-	-
<b>ADMINISTRATION</b>			
Rimantas Milišauskas	Managing Director	-	-
Valdas Bancevičius	Electricity Network Director	0.00008	0.00008
Saulius Kasparavičius	Electricity Supply Director	-	-
Arvydas Zakalskis	Finance Director	0.001	0.001
Rolandas Baškys	Sales and Logistics Director	-	-
Rimantas Aliukonis	Legal Services and Personnel Director	-	-
Antosė Muliuliienė	Chief Accountant	0.000002	0.000002

11.2. Data on the participation in the activities other companies, institutions or organisations (name of the company, institution or organisation, position, portion of owned capital or votes exceeding 5 percent (percent))

Table 11.2.1. Participation in the activities of other companies, institutions or organisations

Name, surname	Name of organisation, position	Portion of other companies' capital and votes (percent)
<b>SUPERVISORY BOARD</b>		
Anicetas Ignotas	Secretary of the Ministry of Economy of the Republic of Lithuania	-
	Chairman of Supervisory Board, "Lietuvos Energija" AB	-
	Member of Supervisory Board, "Kauno Energija" AB	-
Mario Nullmeier	Head of Baltic Bureau, E.ON Ruhrgas International (ERI) AG	-
Saulius Spėčius	Advisor to the Prime Minister of the Republic of Lithuania	-
	Member of the Board, "Klaipėdos Nafta" AB	-
	Member of Supervisory Board, "Lietuvos Energija" AB	-
	Member of Supervisory Board, "Lietuvos Elektrinė" AB	-
Aušra Pažėraitė	Scientific Worker, Lithuanian Energetics Institute	-
Nijolė Bujauskienė	Specialist of Company Law and Privatisation Department, Ministry of Economy of the Republic of Lithuania	-
	Member of Supervisory Board, "Lietuvos Energija" AB	-
	Member of Supervisory Board, "Lietuvos Elektrinė" AB	-
<b>BOARD</b>		
Jonas Rimantas Kazlauskas	Deputy Director, "Energetikos Agentūra" VĮ	-
Rimvydas Rukšėnas	President of National Electric Energetics Association	-
Nijolė Sabonienė	Specialist of Share Management Department, "Valstybės Turto Fondas" VĮ	-
	Member of the Board, "Gargždų Mida" UAB	-
Algimantas Zaremba	Director of Energetics Department, Ministry of Economy of the Republic of Lithuania	-
	Member of the Board, "Lietuvos Energija" AB	-
<b>ADMINISTRATION</b>		
Rimantas Milišauskas	-	-
Valdas Bancevičius	Chairman of the Board, "Elektros Tinklo Paslaugos" UAB	-
	Chairman of the Board, "Tetas" UAB	-
Saulius Kasparavičius	-	-
Arvydas Zakalskis	-	-
Rolandas Baškys	Chairman of the Board, "Rytra" UAB	-
Rimantas Aliukonis	Member of the Board, "Elektros Tinklo Paslaugos" UAB	-
Antosė Muliulienė	-	-

### III. FINANCIAL SITUATION

From January 1, 2005 accounting of Rytų skirstomieji tinklai AB is done in accordance with the International Accounting Standards. Financial statements of the company provided in this chapter were prepared according to the International Financial Reporting Standards.

The company's financial statements of 31-12-2005 have been revised by the auditors. The financial statements of 30-06-2005 and 30-06-2006 have not been audited.

#### 12. Balance (LTL)

In accordance with the International Financial Reporting Standards

SER. NO.	ASSETS	GROUPS			COMPANIES		
		30-06-2006	31-12-2005	30-06-2005	30-06-2006	31-12-2005	30-06-2005
<b>A.</b>	<b>NON-CURRENT ASSETS</b>	<b>2 347 001 899</b>	<b>2 386 951 587</b>	<b>2 379 453 222</b>	<b>2 344 264 119</b>	<b>2 384 306 980</b>	<b>2 380 487 105</b>
I.	INTANGIBLE ASSETS	2 307 017	3 112 570	3 772 654	2 307 015	3 112 570	3 772 654
I.1.	Development works	183 026	235 309	92 482	183 026	235 309	92 482
I.2.	Software	2 123 991	2 877 261	3 680 172	2 123 989	2 877 261	3 680 172
II.	TANGIBLE ASSETS	2 338 216 016	2 377 013 371	2 368 639 486	2 298 835 238	2 339 683 764	2 352 990 369
II.1.	Buildings and structures	2 037 678 436	2 075 360 795	2 083 088 040	2 016 656 298	2 054 815 486	2 081 221 491
II.2.	Machinery and equipment	209 978 055	213 593 330	209 901 919	207 867 892	212 283 415	207 976 708
II.3.	Transport equipment	15 610 956	15 088 961	11 139 269	187 851	176 405	96 522
II.4.	Other equipment, appliances, tools facilities	40 899 237	41 435 397	34 819 338	39 765 460	40 545 688	33 893 339
II.5.	Uncompleted construction	30 879 483	29 077 765	25 852 014	31 508 670	29 646 774	25 971 607
II.6.	Other tangible assets	3 169 849	2 457 123	3 838 906	2 849 067	2 215 996	3 830 702
III.	FINANCIAL ASSETS	6 478 866	6 825 646	7 041 082	43 121 866	41 510 646	23 724 082
III.1.	Investments in subsidiaries and associate companies				36 643 000	34 685 000	16 683 000
III.2.	Accounts receivable after one year	6 478 866	6 825 646	7 041 082	6 478 866	6 825 646	7 041 082
<b>B.</b>	<b>CURRENT ASSETS</b>	<b>90 970 614</b>	<b>95 271 077</b>	<b>89 091 372</b>	<b>90 410 971</b>	<b>92 262 331</b>	<b>78 866 940</b>
I.	INVENTORIES, ADVANCE PAYMENTS AND CONTRACTS IN PROGRESS	12 157 706	8 990 685	12 151 362	6 425 461	5 144 391	7 046 052
I.1.	Stock	7 737 117	6 893 611	10 393 224	2 598 437	3 576 038	5 550 917
I.1.1.	Raw materials and consumables	7 550 729	6 552 451	10 393 224	2 412 049	3 234 878	5 550 917
I.1.2.	Fixed assets kept for sale	186 388	341 160		186 388	341 160	
I.2.	Advance payments	4 420 589	2 097 074	1 758 138	3 827 024	1 568 353	1 495 135
II	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	65 375 592	84 479 203	70 650 239	70 594 957	86 236 074	69 093 466
II.1.	Total purchasers' indebtedness	64 202 380	80 861 771	60 696 486	63 347 309	80 446 387	60 696 486
II.2.	Debts of subsidiaries and associated companies				2 092 175	215 198	7 325 302
II.3.	Loans for subsidiaries				4 000 000	2 000 000	
II.4.	Other accounts receivable	1 173 212	3 617 432	9 953 753	1 155 473	3 574 489	1 071 678
III.	OTHER CURRENT ASSETS	7 500 000			7 500 000		
III.1.	Fixed-term deposits	7 500 000			7 500 000		
IV.	MONEY AND MONEY EQUIVALENTS	5 937 316	1 801 189	6 289 771	5 890 553	881 866	2 727 422
	<b>TOTAL ASSETS:</b>	<b>2 437 972 513</b>	<b>2 482 222 664</b>	<b>2 468 544 594</b>	<b>2 434 675 090</b>	<b>2 476 569 311</b>	<b>2 459 354 045</b>



Report for the first half-year of 2006

SER. NO.	EQUITY CAPITAL AND LIABILITIES	GROUPS			COMPANIES		
		30-06-2006	31-12-2005	30-06-2005	30-06-2006	31-12-2005	30-06-2005
<b>C.</b>	<b>EQUITY CAPITAL</b>	<b>1 893 490 869</b>	<b>1 907 767 647</b>	<b>1 914 236 540</b>	<b>1 893 489 898</b>	<b>1 906 017 700</b>	<b>1 913 083 465</b>
I.	CAPITAL	492 404 653	492 404 653	574 216 072	492 404 653	492 404 653	574 216 072
I.1.	Authorized (subscribed)	492 404 653	492 404 653	574 216 072	492 404 653	492 404 653	574 216 072
II.	REVALUATION RESERVE (RESULTS)	1 212 998 507	1 265 932 393	1 353 200 444	1 212 998 507	1 265 932 393	1 353 200 444
III.	RESERVES	114 604 187			113 212 328		
III.1.	Mandatory	49 356 490			49 240 465		
III.2.	Other reserves	65 247 697			63 971 863		
IV.	PROFIT (LOSS) BROUGHT FORWARD	73 483 522	149 430 601	(13 179 976)	74 874 410	147 680 654	(14 333 051)
IV.1.	Profit (loss) brought forward for reference year	52 933 886	123 719 243	65 932 522	52 933 886	123 719 243	65 932 522
IV.2.	Profit (loss) for reference year	20 191 548	18 737 354	2 698 923	21 940 524	16 986 681	1 545 122
IV.3.	Profit (loss) for previous year	358 088	6 974 004	(81 811 421)		6 974 730	(81 810 695)
<b>D.</b>	<b>ACCOUNTS PAYABLE AND LIABILITIES</b>	<b>544 481 644</b>	<b>574 455 017</b>	<b>554 308 054</b>	<b>541 185 192</b>	<b>570 551 611</b>	<b>546 270 580</b>
I.	ACCOUNTS PAYABLE AND NON-CURRENT LIABILITIES AFTER ONE YEAR	393 059 114	377 557 791	398 216 631	393 551 419	377 990 194	398 216 631
I.1.	Financial debts	100 165 728	85 318 688	96 712 928	100 165 728	85 318 688	96 712 928
I.1.1.	To credit institutions	100 165 728	85 318 688	96 712 928	100 165 728	85 318 688	96 712 928
I.2.	Grants and subsidies	3 969 134	4 033 540	4 104 374	3 969 134	4 033 540	4 104 374
I.3.	Debts to suppliers	943 687	666 852	447 084	943 687	666 852	447 084
I.4.	Deferred tax	238 589 686	248 449 588	262 201 270	239 081 991	248 881 991	262 201 270
I.5.	New consumers' income for forthcoming periods	49 390 879	39 089 123	34 750 975	49 390 879	39 089 123	34 750 975
II.	ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT LIABILITIES	151 422 530	196 897 226	156 091 423	147 633 773	192 561 417	148 053 949
II.1.	Portion of long-term debts for current year	11 394 240	11 394 240	20 005 215	11 394 240	11 394 240	20 005 215
II.2.	Financial debts	4 019 783	28 046 269	22 314 002		28 046 269	22 314 002
II.2.1.	To credit institutions	4 019 783	28 046 269	22 314 002		28 046 269	22 314 002
II.3.	Debts to suppliers	68 610 532	110 228 920	37 507 939	74 490 703	108 816 082	32 743 757
II.4.	Advance payments received	26 330 823	18 670 315	13 056 861	26 323 704	18 666 488	13 056 187
II.5.	Income tax liabilities	23 310 529	16 243 204	17 489 991	22 266 832	15 404 718	17 158 992
II.6.	Employment-related liabilities	7 661 701	2 746 086	6 446 552	5 112 460	2 167 219	4 250 489
II.7.	New consumers' income for forthcoming periods	1 776 003	3 552 006	1 754 229	1 776 003	3 552 006	1 754 229
II.8.	Other accounts payable and currents liabilities	8 318 919	6 016 186	37 516 634	6 269 831	4 514 395	36 771 078
	<b>TOTAL EQUITY CAPITAL AND LIABILITIES :</b>	<b>2 437 972 513</b>	<b>2 482 222 664</b>	<b>2 468 544 594</b>	<b>2 434 675 090</b>	<b>2 476 569 311</b>	<b>2 459 354 045</b>

### 13. Profit (loss) account (LTL)

In accordance with the International Financial Reporting Standards

SER. NO.	ARTICLES	GROUPS		COMPANIES	
		30-06-2006	30-06-2005	30-06-2006	30-06-2005
<b>1</b>	<b>INCOME</b>	<b>464 419 114</b>	<b>421 450 948</b>	<b>463 147 791</b>	<b>420 786 955</b>
1.1	Sales income	458 171 409	416 998 499	458 522 882	417 349 583
1.2	Other income	6 247 705	4 452 449	4 624 909	3 437 372
<b>2</b>	<b>EXPENSES</b>	<b>437 239 308</b>	<b>403 802 559</b>	<b>437 028 596</b>	<b>405 856 299</b>
2.1	Electric energy purchased	182 936 148	170 232 512	182 936 148	170 232 512
2.2	Depreciation, amortisation	86 968 482	78 644 526	83 544 249	76 750 947
2.3	Other expenses	167 334 678	154 925 521	170 548 199	158 872 840
<b>3</b>	<b>PROFIT (LOSS) FROM OPERATING ACTIVITIES</b>	<b>27 179 806</b>	<b>17 648 389</b>	<b>26 119 195</b>	<b>14 930 656</b>
<b>4</b>	<b>OTHER ACTIVITIES</b>	<b>(255 831)</b>	<b>(2 579 012)</b>	<b>1 421 224</b>	<b>(1 591 332)</b>
4.1	Income on other activities	769 216	1 538 826	2 336 419	2 423 766
4.2	Expenses on other activities	1 025 047	4 117 838	915 195	4 015 098
<b>5</b>	<b>FINANCIAL AND INVESTMENT ACTIVITIES</b>	<b>(648 692)</b>	<b>(1 747 019)</b>	<b>338 531</b>	<b>(1 654 970)</b>
5.1	Income	1 120 508	565 877	2 085 418	552 606
5.2	Expenses	1 769 200	2 312 896	1 746 887	2 207 576
<b>6</b>	<b>PROFIT (LOSS) BEFORE TAX</b>	<b>26 275 283</b>	<b>13 322 358</b>	<b>27 878 950</b>	<b>11 684 354</b>
<b>7</b>	<b>INCOME AND SOCIAL TAXES</b>	<b>6 083 735</b>	<b>10 623 435</b>	<b>5 938 426</b>	<b>10 139 232</b>
<b>8</b>	<b>NET PROFIT (LOSS)</b>	<b>20 191 548</b>	<b>2 698 923</b>	<b>21 940 524</b>	<b>1 545 122</b>

### 14. Statement of cash flow (Lt)

In accordance with the International Financial Reporting Standards

Ser. No.		GROUPS		COMPANIES	
		30-06-2006	30-06-2005	30-06-2006	30-06-2005
<b>I. Cash flow from operating activities</b>					
I.1	Net profit (loss)	20 191 548	2 698 923	21 940 524	1 545 122
<b>Readjustments and other corrections of non-monetary expenses (income):</b>					
I.2	Depreciation and amortization	86 910 739	78 644 526	83 544 249	76 750 947
I.3	Loss on sold and written-off assets	3 773 657	3 684 776	3 736 239	3 671 408
I.4	Decrease in (readjustment of) value of non-current assets	( 264 813)	( 58 625)	( 264 813)	( 58 625)
I.5	Decrease in (readjustment of) value in respect of accounts receivable	2 693 076	1 201 440	2 693 076	1 201 440
I.6	Loss (readjustment) of value of stock	( 304 667)	697 920	( 304 667)	697 920
I.7	Income tax expenses	6 020 404	10 470 231	5 938 426	10 139 232
I.8	Interest (income)	( 363 085)	( 213 891)	( 415 092)	( 210 392)
I.9	Interest expenses	1 783 339	2 227 943	1 730 429	2 122 835
I.10	Dividend income	-	-	( 927 907)	-
I.11	Influence of change in currency rates	-	43 113	-	43 113
<b>Total:</b>		<b>120 440 198</b>	<b>99 396 356</b>	<b>117 670 464</b>	<b>95 903 000</b>
<b>Changes in turnover capital:</b>					
I.11	Decrease (increase) in stock	( 538 839)	522 889	1 282 268	5 365 196
I.12	Decrease (increase) in accounts receivable from purchasers	9 357 171	4 584 026	14 438 849	10 476 912
I.13	Decrease (increase) in other accounts receivable and advance payments	(3 668 956)	(10 090 019)	(1 828 314)	(6 837 827)
I.14	Decrease (increase) in sales debts	(33 106 784)	(25 543 401)	(34 048 544)	(37 633 559)
I.15	Decrease (increase) in other debts	22 977 286	12 112 109	20 396 228	10 518 885
I.16	(Paid) income tax	(8 876 312)	(1 425 961)	(8 876 312)	(1 425 961)
<b>Net cash flows from operating activities:</b>		<b>106 583 764</b>	<b>79 555 999</b>	<b>109 034 639</b>	<b>76 366 646</b>

Report for the first half-year of 2006

<b>II. Cash flows from investment activities</b>					
II.1	(Acquisition) of non-current assets	(50 792 645)	(41 528 352)	(47 384 000)	(40 595 291)
II.2	(Acquisition) of investments	-	-	-	-
II.3	Loans (provided)	-	-	(2 000 000)	-
II.4	Decrease (increase) in non-current accounts receivable	425 615	468 789	425 615	468 789
II.5	Interest received	363 085	213 891	415 092	210 392
II.6	Dividends received	-	-	927 907	-
<b>Net cash flow from investment activities</b>		<b>(50 003 945)</b>	<b>(40 845 672)</b>	<b>(47 615 386)</b>	<b>(39 916 110)</b>
<b>III. Cash flow from financial activities</b>					
III.1	(Payment) of dividends	(34 140 970)	-	(34 140 970)	-
III.2	Receipt of loans	18 866 823	10 358 400	14 847 040	10 358 400
III.3	(Repayment) of loans	(28 046 269)	(43 291 129)	(28 046 269)	(43 291 129)
III.4	(Payment) of interest	(1 623 276)	(2 215 491)	(1 570 367)	(2 110 383)
III.5	Decrease (increase) in fixed-term deposits	(7 500 000)	-	(7 500 000)	-
<b>Net cash flow from financial activities</b>		<b>(52 443 692)</b>	<b>(35 148 220)</b>	<b>(56 410 566)</b>	<b>(35 043 112)</b>
<b>IV. Influence of change in exchange rates on money balance</b>					
		-	-	-	-
<b>V. Net increase (decrease) in cash flows:</b>					
		<b>4 136 127</b>	<b>3 562 107</b>	<b>5 008 687</b>	<b>1 407 424</b>
<b>VI. Money and money equivalents in the beginning of period</b>					
		<b>1 801 189</b>	<b>1 379 999</b>	<b>881 866</b>	<b>1 319 999</b>
<b>VII. Money and money equivalents at the end of period</b>					
		<b>5 937 316</b>	<b>4 942 106</b>	<b>5 890 553</b>	<b>2 727 423</b>

### 15. Changes in equity capital account (LTL)

In accordance with the International Financial Reporting Standards

Company

	Authorised capital	Revaluation reserve	Mandatory reserve	Other reserves	Cumulative profit (loss)	Total
<b>Balance on December 31, 2004</b>	<b>492 404 653</b>	<b>1500 944 386</b>	<b>42 060 928</b>	<b>219 700</b>	<b>(124 091 324)</b>	<b>1911 538 343</b>
Authorised capital gain	81 811 419	(81 811 419)				
Decrease in non-current assets revaluation reserve		(65 932 523)			65 932 523	
Use of reserves			(42 060 928)	(219 700)	42 280 628	
Profit (loss) for reference period					1 545 122	1 545 122
<b>Balance on June 30, 2005</b>	<b>574 216 072</b>	<b>1353 200 444</b>			<b>(14 333 051)</b>	<b>1913 083 465</b>
Authorized capital reduction	(81 811 419)				81 811 419	
Decrease in non-current tangible assets reserve		(57 786 720)			57 786 720	
Increase in deferred income tax liabilities related to revaluated non-current assets due to change in income tax tariff		(8 394 023)				(8 394 023)
Correction of a material mistake (decrease in revaluation reserve)		(21 087 308)				(21 087 308)
Correction of a material mistake (profit, not recognized in Profit (loss) account)					6 974 007	6 974 007
Profit (loss) for reference period					15 441 559	15 441 559
<b>Balance on December 31, 2005</b>	<b>492 404 653</b>	<b>1265 932 393</b>			<b>147 680 654</b>	<b>1906 017 700</b>
Transferred into reserves			49 240 465	63 971 863	(113 212 328)	
Recognized dividends					(34 468 326)	(34 468 326)
Decrease in non-current tangible assets reserve		(52 933 886)			52 933 886	
Profit (loss) for reference period					21 940 524	21 940 524
<b>Balance on June 30, 2006</b>	<b>492 404 653</b>	<b>1212 998 507</b>	<b>49 240 465</b>	<b>63 971 863</b>	<b>74 874 410</b>	<b>1893 489 898</b>



Report for the first half-year of 2006

Group

	Authorized capital	Revaluation reserve	Mandatory reserve	Other reserves	Cumulative profit (loss)	Total
<b>Balance on December 31, 2004</b>	<b>492 404 653</b>	<b>1 500 944 386</b>	<b>42 060 928</b>	<b>219 700</b>	<b>(124 092 050)</b>	<b>1 911 537 617</b>
Authorised capital gain	81 811 419	(81 811 419)				
Decrease in non-current assets revaluation reserve		(65 932 523)			65 932 523	
Use of reserves			(42 060 928)	( 219 700)	42 280 628	
Profit (loss) for reference period					2 698 923	2 698 923
<b>Balance on June 30, 2005</b>	<b>574 216 072</b>	<b>1 353 200 444</b>			<b>(13 179 976)</b>	<b>1 914 236 540</b>
Authorised capital reduction	(81 811 419)				81 811 419	
Decrease in non-current tangible assets reserve		(57 786 720)			57 786 720	
Increase in deferred income tax liabilities related to revaluated non-current assets due to change in income tax tariff		(8 394 023)				(8 394 023)
Correction of a material mistake (decrease in revaluation reserve)		(21 087 308)				(21 087 308)
Correction of a material mistake (profit, not recognized in Profit (loss) account)					6 974 007	6 974 007
Profit (loss) for reference period					16 038 431	16 038 431
<b>Balance on December 31, 2005</b>	<b>492 404 653</b>	<b>1 265 932 393</b>			<b>149 430 601</b>	<b>1 907 767 647</b>
Transferred into reserves			49 356 490	65 247 697	(114 604 187)	
Recognised dividends					(34 468 326)	(34 468 326)
Decrease in non-current tangible assets reserve		(52 933 886)			52 933 886	
Profit (loss) for reference period					20 191 548	20 191 548
<b>Balance on June 30, 2006</b>	<b>492 404 653</b>	<b>1 212 998 507</b>	<b>49 356 490</b>	<b>65 247 697</b>	<b>73 483 522</b>	<b>1 893 490 869</b>

## 16. Notes on the accounts

Rytų skirstomieji tinklai AB (hereinafter – the Company) is a company with share capital registered in the Republic of Lithuania. The Company has been registered in the register of enterprises on December 31, 2001. Its shares are included in the Current List of Vilnius Stock Exchange. Company’s registered office address is:

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

The Company has been registered after reorganisation of a special purpose limited liability company “Lietuvos Energija”. After reorganisation the Company performs the functions of a distributive network operator and a public supplier.

Activities of Rytų skirstomieji tinklai AB are governed by the Law on Electric Energy of the Republic of Lithuania, No. IX-884 (May 16, 2002).

The Company’s price policy is supervised by National Control Commission for Prices and Energy which fixes the price caps for services provided.

In order to differentiate the activities on transport and electricity network services from the Company’s activities, separate subsidiaries “Elektros Tinklo Paslaugos“ UAB, “Rytra“ UAB, and “Tetas“ UAB were established. “Elektros Tinklo Paslaugos“ UAB and “Rytra“ UAB have been registered in the register of enterprises on December 8, 2004. “Tetas“ UAB has been registered in the register of enterprises on December 8, 2005.

Addresses of the registered offices of the Company and its subsidiaries (hereinafter – the Group):

Name of the Company / Subsidiary	Addresses of the registered office
Rytų skirstomieji tinklai AB administration	Lukšio st. 5 b, Vilnius
“Rytra“ UAB	Geologų st. 16, Vilnius
“Elektros Tinklo Paslaugos“ UAB	Motorų st. 2, Vilnius
“Tetas“ UAB	Senamiesčio st. 102 B, Panevėžys

Financial statements (hereinafter – the Statements) were prepared in accordance with the International Financial Reporting Standards (IFRS), the Law on Financial Accounting of the Republic of Lithuania, the Law on Consolidated Financial Reports of the Republic of Lithuania and other legal acts. The Statements were prepared with reference to the acquisition value principle, with the exception in respect of revaluation of certain non-current tangible assets.

All amounts in the financial statements were presented in national Lithuanian currency – litas (LTL), since the major part of operation was carried out in this currency.

Statements for the first half-year of the current and the previous year have not been audited. The statement of December 31, 2005 has been audited.

The Statements cover financial accounts of the Company and the companies under its control (subsidiaries). With the view of achieving profit, control has been achieved by the Company’s power to manage the finances and the operation policy of the company, where its capital had been invested.

Financial results of subsidiaries, acquired or sold within a year, were included in the consolidated profit (loss) account from the date of subsidiary’s acquisition until the subsidiary’s sale date, if applicable.

Financial accounts of subsidiaries are corrected so that they would conform to the company’s accounting policies, provided they were different.

In the course of consolidation all material Group's inter-company balance sheet balances, transactions and unrealised profit (loss) from inter-company operations were eliminated.

Non-current intangible assets were accounted on the basis of acquisition value by deducting cumulative amortisation and loss on decrease in value.

Amortisation was calculated by directly proportional (linear) method. Liquidation value of non-material property was not determined. Amortisation expenses were assigned to depreciation, amortisation and value decrease expenses in the profit (loss) account.

Losses on decrease in intangible assets, writing-off of assets were assigned to depreciation, amortisation and value decrease expenses in the profit (loss) account.

Profit received or loss incurred on the transfer of non-current intangible assets was recognised in the profit (loss) account of that year.

Non-current tangible assets were accounted on the basis of revaluated value by deducting depreciation and decrease in assets value accumulated later. Revaluated value is a real assets value, determined by reference to the results of revaluation, carried out by independent property evaluators' of "Korporacija Matininkai" UAB on December 31, 2003. Revaluation results were registered in the records on December 1, 2004.

Depreciation was calculated by directly proportional method in respect of probable useful service period of relevant assets. Revaluated assets will be depreciated during the remaining period of their useful service. Liquidation value of tangible assets equals LTL 1. Depreciation expenses were assigned to depreciation, amortisation and value decrease expenses in the profit (loss) account.

Investments into the subsidiaries were accounted with reference to an acquisition cost price by deducting loss on decrease in value, when balance value of investment exceeded probable recoverable value. Dividends received were accounted in the profit (loss) account, when the shareholder's right to receive money was determined.

Stocks were presented in a lower cost price or a real realisation value. Stocks were written off by using FIFO method.

Accounts receivable from sales on their moment of appearance were accounted with reference to an actual value. Decrease in accounts receivable was formulated and recognised in the profit (loss) account when there was an objective evidence that actual value of these assets decreased. Accounts from decrease in value represented the difference between accounting value and current value of probable cash flows, discounted by applying effective interest rate that was valid at the time of primary recognition.

Trade accounts payable at the time of primary recognition were accounted referring to an actual value and later were evaluated referring to an amortized cost value, calculated by using an effective interest rate method.

Bank loans and overdrafts, incurring interest, at their time of occurrence were accounted referring to an actual value and later were recognized referring to an amortised cost value by using an effective interest rate method. Any difference between income (including transaction expenses incurred) and repayment of loans was recognised for the lending period in the profit (loss) account.

### **Financial indicators**

During the first half-year of 2006 the Group's income has increased by LTL 43 billion in comparison to the relevant period of the previous year, and amounted to LTL 464.4 billion . The major portion of income was made of income on electric energy sales.

During the first half-year of 2006 the Group has sold to the consumers 2012.7 billion kWh of electric power, i.e. 179 billion kWh or 9.7% more than during the same period of the preceding year, and bought 2231.5 billion kWh of electric power, 7.6 % or 158.3 billion kWh more than during the same period of the preceding year.

Group income grew faster than expenses, respectively 10.2% and 8.3%. Variable expenses (from electric power bought and its transmission) in the first half-year of 2006 increased by 7.5 percent (LTL 12.7 billion), other expenses from operational activities – 9.3 % (LTL 15.2 billion ) in comparison to the same period of the preceding year. Total expenses on operational activities in the first half-year of 2006 amounted to LTL

*Report for the first half-year of 2006*

437.2 billion. Change in income and variable expenses was influenced by the sales of electric power, while other changes in other expenses – by increase in depreciation expenses (10.6 percent or LTL 8.3 billion), expenses on fuel, salaries and related expenses.

During the first half-year of 2006 the Group has earned LTL 26.3 billion of not audited profit before tax, i.e. LTL 13.0 billion more than during the relevant period of the preceding year. Larger profits were influenced by 9.7 % increase on sales of electric power as a result of colder weather, and better results from financial and other activities. Larger profit was affected by colder weather in the beginning of the year.

Debts of the Financial Group in the first half-year of 2006 decreased by LTL 9.2 billion and amounted to LTL 115.6 billion.

**Relative indicators**

Indicator	I half-year of 2005		I half-year of 2006	
	GROUP	Company	GROUP	Company
Sales margin	42.09%	42.74%	43.31%	43.92%
EBITDA margin	23.72%	22.30%	28.51%	25.32%
Net profit margin	0.64%	0.37%	4.35%	4.72 %
Return of shareholders' property	0.1%	0.08%	1.1%	1.15%
Return of assets	0.1%	0.1%	0.8%	0.9%
Average length of accounts receivable (in days)	25.6	27.0	21.5	25.9
Property / assets relation	0.78	0.78	0.78	0.77

Company's sales margin in the first half-year of 2006 amounted to 43.92%, and was 1.18 percent point bigger than in the first half-year of 2005. This increase has been influenced by 9.7 % increase in electric power sales due to colder weather.

Given that the rate of sales' increase was more rapid than the rate of expenses' increase, EBITDA margin, which in the first half-year of 2006 amounted to 25.32%, has increased. In comparison to the relevant period of 2005 it increased by 3.02 percent points.

In comparison to the relevant period of the previous year during the first half-year of 2006 shareholders' property as well return on assets has increased (respectively by 1.07 and 0.84 percent points).

**Cash flow statement**

Groups' cash flow from operational activities in the first half-year of 2006 amounted to LTL 120.4 billion and was by LTL 21 billion larger than in the relevant period of the previous year.

Change in Groups' turnover capital in the first half-year of 2006 generated LTL 13.9 billion of negative cash flow, which was mainly influenced by decrease in trade debts in the first half-year (LTL 33.1 billion), accounts receivable decreased by LTL 9.4 billion.

Operation activities in the first half-year of 2006 generated LTL 106.6 billion cash flow, i.e. LTL 27 billion more than in the relevant period of the previous year.

**Investments**

During the first half-year of 2006 the Company's investments in non-current assets amounted to LTL 47.4 billion and were LTL 6.4 billion larger than in the first half-year of 2005. The major portion of investment (65%) constituted the investments in relation to connection of new consumers' electricity equipment.

**Financial debts (30-06-2006)**

Financial debts to credit institutions	Amount (LTL, billion)	Repayment deadline
Nordea Bank Finland Plc	34.6	30 08 2011
Nordea Bank Finland Plc	31.1	02 07 2010
AB DnB NORD bankas	20.7	10 09 2011
AB SEB Vilniaus bankas	14.8	10 09 2011
Bayerische Hypo - und Vereinsbank AG	10.4	15 09 2011
Total	111.6	

Average weighted loan interest rate - 3,58 percent

Financial debts of RST companies' group (2006-06-30)

Financial debts to credit institutions	Amount, billion Lt	Repayment deadline
Nordea Bank Finland Plc	34.6	30 08 2011
Nordea Bank Finland Plc	31.1	02 07 2010
AB DnB NORD bankas	20.7	10 09 2011
AB SEB Vilniaus bankas	14.8	10 09 2011
Bayerische Hypo - und Vereinsbank AG	10.4	15 09 2011
AB SEB Vilniaus bankas	4.0	08 06 2007
Total	115.6	

Average weighted loan interest rate – 3.57 percent.

### 17. Information on audit

Company's financial statements and consolidated statements for the first half-year of 2006 were not audited.

## IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITIES

### 18. Material events in the issuer's activities

**24-01-2006** it was declared that preliminary company's income on operation activities in 2005 amounted to LTL 852 billion (EUR 247 billion), which in comparison to income on operation activities in 2004, i.e. LTL 741.6 billion (EUR 215 billion), increased by 14.9 percent.

Company's board approved the investment programme and activity plans for the year 2006. It was estimated that income on operation activities would amount to LTL 875.3 billion (EUR 253.7 billion), profit before tax to LTL 17.7 billion (EUR 5.13 billion), investments – LTL 170 billion (EUR 49.3 billion).

**27-02-2006** it was declared that preliminary not consolidated and not audited result of operational activities according to the International Financial Reporting Standards were as follows:

Profit before income tax was LTL 20 billion (EUR 5.8 billion);

Profit before interest, income tax, depreciation and amortization, (EBITDA) compared to the year 2004 from LTL 118.7 billion (EUR 34.4 billion) increased by 64.8 percent up to LTL 195.5 billion (EUR 56.7 billion).

Increase in income on Company's operation activities by 15.2 percent from LTL 741.6 billion (EUR 215 billion) in 2004 to LTL 854.3 billion (EUR 247 billion) in 2005, due to change in extent of sales of electric and prices, allowed achieving LTL 20 billion (EUR 5.8 billion) of profit before tax and LTL 195.5 billion (EUR 56.7 billion) of EBITDA. Significant increase of EBITDA was influenced by increase of depreciation expenses due to revaluation of non-current tangible assets.

**17-03-2006** it was declared that company's board of the 16<sup>th</sup> March 2006 approved the decision on convening an ordinary general shareholder's meeting on April 26, 2006, at 10.00, at P. Lukšio st. 5B, Vilnius, and on approving the following agenda:

1. Auditors report on the financial statements for the year 2005;
2. Approval of the Report on the company's activities for the year 2005;
3. Approval of the Company's financial statements for the year 2005;
4. Distribution of company's profit (loss) for the year 2005;
5. Choice of auditing company and determination of conditions regarding payment for auditing services.

Shareholders' registration begins April 26, 2006, at 9.00, ends at 9.50.

General shareholders' meeting accounting day is 19<sup>th</sup> April 2006.

Shareholders, who are coming to general shareholders' meeting, shall present a personal identification document. Additionally, shareholders' representatives shall have an authorisation approved according to order established by law.

**12-04-2006** it was declared that on the 11<sup>th</sup> of April 2006 company's board adopted a decision on approving and presenting to the general shareholders' meeting the Report on company's activities and the audited



financial statements for the year 2005, prepared according to the International Financial Reporting Standards.

Company's income in 2005 amounted to 854 256 thousand litas (247 610 thousand euro), profit before tax – 19 925 thousand litas (5 775 thousand euro), net profit – 16 987 thousand litas (3 924 thousand euro). Consolidated income of the Company and its subsidiaries in 2005 amounted to 855 603 thousand litas (248 001 thousand euro), profit before tax – 22 082 thousand litas (6 401 thousand euro), net profit– 18 737 thousand litas (5 431 thousand euro). Company's board suggested the general shareholders' meeting allocating 34 486 thousand litas (9 996 thousand euro) in 2005 from company's distributable profit to payment of dividends, i.e. 0,07 litas (0,02 euro) of dividends for each share.

**26-04-2006** ordinary general shareholders' meeting took place, where the following was decided: Considering the auditor's report and by approving company's financial statement for the year 2005:

To approve the report on company's activities for the year 2005;

To approve company's financial statements for the year 2005;

To approve distribution of company's profit (loss) for the year 2005;

1. Retained profit (loss) in the beginning of reference year:	LTL 6 974 730 (2 021 661 EUR)
2. Net profit (loss) for the reference period:	LTL 16 986 681 (4 923 676 EUR)
3. Remittance from reserve (revaluation):	LTL 123 719 243 (35 860 650 EUR)
4. Distributable profit (loss) for the reference year:	LTL 147 680 654 (EUR 42 805 987)
4.1. Profit portion, assigned to mandatory reserve:	LTL 9 240 465 (EUR 14 272 599)
4.2. Profit portion, assigned to other reserves:	LTL 60 574 527 (EUR 17 557 834)
4.3. Profit portion, assigned to payment of dividends:	LTL 34 468 326 (EUR 9 990 819)
4.4. Profit portion, assigned to annual payouts (bonuses) to members of the board, employees' premiums and other purposes:	LTL 3 397 336 (EUR 984 735)
4.4.1. support	LTL 2 000 000 (EUR 579 710)
4.4.2. bonuses	LTL 50 000 (EUR 14 493)
4.4.3. employees' premiums and other purposes	LTL 1 347 336 (EUR 390 532)
5. Retained profit (loss) for the reference period	LTL 0 (EUR 0);

To choose an auditing company "PricewaterhouseCoopers" UAB as Company's auditor for carrying out the 2006-2007 financial statements' audit and to set the price for services in the amount of LTL 103 840 (EUR 30 099 ) (incl. VAT) per year.

Each Rytų skirstomieji tinklai UAB share of nominal 1 litas value has been allocated LTL 0.07 (EUR 0.02) of dividends (before tax). Right to receive dividends belongs to any person, who was a Company's shareholder at the end of the day of the ordinary general shareholders' meeting, where the dividends were announced, i.e. at the end of April 26, 2006. The dividends will be paid through the company's shareholders' issuer accountants and the company's (issuer's) issuer accountant - AB FMĮ Finasta. According to the 60'th article 4'th part of the law on corporations the dividends will be paid in one month from the day the decision to pay dividends was made.

**27-04-2006** it was declared that the results of preliminary report on company's activities in the first quarter of 2006 according to the International Accounting Standards was that a not audited profit before tax amounted to LTL 25.8 billion (EUR 7.5 billion), and income on operational activities in comparison to the first quarter of 2005, i.e. LTL 230.4 billion (EUR 66.8 billion), increased by 12.4 percent up to LTL 258.9 billion (EUR 75 billion).

**31-07-2006** it was declared that the preliminary result of Rytų skirstomieji tinklai AB Group's activities for in the first quarter of 2006 according to the International Financial Reporting Standards was that a not audited profit before tax amounted to LTL 26.3 billion (EUR 7.6 billion), and income on activities in comparison to the first quarter of 2005, i.e. LTL 421.5 billion (EUR 122.2 billion), increased by 10.2 percent up to LTL 464.4 billion (LTL 134.6 billion).

## 19. Judicial and arbitral proceedings

During the first half-year of 2006 Rytų skirstomieji tinklai AB filed 83 claims to judicial institutions concerning debts of legal persons in respect of electric power used and not accountable use of electric power in the amount of LTL 1.9 billion. During that period Company has filed 948 claims in judicial institutions

concerning debts of residents for electric power used and not accountable use of electric power in the amount of LTL 1 billion. During the first half-year of 2006 LTL 0.8 billion was adjudged from legal persons, and LTL 0.6 billion from residents.

Note: Adjudged amounts do not include those debts, in respect of which the court decision was taken in the first half-year of 2006. Other claims filed in the first half-year of 2006 should be satisfied in the second half-year of 2006.

January 24, 2006 “Centro Kubas“ AB filed a claim against Rytų skirstomieji tinklai AB concerning the order to fulfil an obligation, March 22, 2006 the claim was updated.

The claim requests:

- to oblige Rytų skirstomieji tinklai AB to convene an extraordinary general shareholders' meeting no later than in three days after the decision will come into force and include in the meeting's agenda an issue concerning increase of authorised capital by asset contributions – i.e. by equipment according to the Rules on the Redemption and Exploitation of Commonly Used Electric Power Objects, Designed for Transfer and (or) Distribution of Electricity, and Co-installed by Consumers (natural and legal persons) at their Own Expense before Coming into Force of the Law on Energetics, approved by the decision No.4-450 of the Minister of Economy of the Republic of Lithuania of the 3<sup>rd</sup> December 2003 (as amended by the decision No. 4-72 of 15<sup>th</sup> February 2005) (Žin., 2003 No.114-5189);
- to impose on Rytų skirstomieji tinklai AB a penalty, to be set by the court, in respect of each delay day in fulfilling an obligation, provided that the plaintiff will not fulfil its obligation beforehand.

At the moment the legal proceedings are taking place.

Judicial proceeding had no material influence on the company's activities.