

Rytų skirstomieji tinklai AB

Company code 110870890, P. Lukšio str. 5b, Vilnius

CONSOLIDATED BALANCE SHEET

(In accordance with the International Financial Reporting Standards)

30 September 2006

| No | ASSETS | 30\09\2006 | 31\12\2005 |
|-----------|--|---------------------|---------------------|
| A. | NON-CURRENT ASSETS | 2357 259 618 | 2386 951 587 |
| I. | INTANGIBLE ASSETS | 1 929 918 | 3 112 570 |
| I.1. | Development works | 157 553 | 235 309 |
| I.2. | Computer software | 1 772 365 | 2 877 261 |
| II. | TANGIBLE ASSETS | 2348 930 396 | 2377 013 371 |
| II.1. | Buildings and structures | 2024 436 908 | 2075 360 795 |
| II.2. | Machinery and equipment | 208 457 437 | 213 593 330 |
| II.3. | Vehicles | 16 184 796 | 15 088 961 |
| II.4. | Other property, plant and equipment | 38 116 652 | 41 435 397 |
| II.5. | Construction in progress | 57 354 470 | 29 077 765 |
| II.6. | Other tangible assets | 4 380 133 | 2 457 123 |
| III. | FINANCIAL ASSETS | 6 399 304 | 6 825 646 |
| III.1. | Amounts receivable after one year | 6 399 304 | 6 825 646 |
| B. | CURRENT ASSETS | 88 637 196 | 95 271 077 |
| I. | INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS | 17 720 508 | 8 990 685 |
| I.1. | Inventories | 9 205 183 | 6 893 611 |
| I.1.1. | Raw materials and consumables | 9 205 183 | 6 552 451 |
| I.1.2. | Non-current assets retained for sale | | 341 160 |
| I.2. | Prepayments | 8 515 325 | 2 097 074 |
| II. | AMOUNTS RECEIVABLE WITHIN ONE YEAR | 70 226 537 | 84 479 203 |
| II.1. | Trade amounts receivable | 69 050 962 | 80 861 771 |
| II.2. | Other amounts receivable | 1 175 575 | 3 617 432 |
| III. | OTHER CURRENT ASSETS | | |
| IV. | CASH AND CASH EQUIVALENTS | 690 151 | 1 801 189 |
| | TOTAL ASSETS: | 2445 896 814 | 2482 222 664 |

| No | EQUITY AND LIABILITIES | 30\09\2006 | 31\12\2005 |
|-----------|--|---------------------|---------------------|
| C. | EQUITY | 1893 311 864 | 1907 767 647 |
| I. | CAPITAL | 492 404 653 | 492 404 653 |
| I.1. | Authorised (subscribed) | 492 404 653 | 492 404 653 |
| II. | REVALUATION RESERVE (RESULTS) | 1186 447 035 | 1265 932 393 |
| III. | RESERVES | 114 604 187 | |
| III.1. | Legal reserve | 49 356 490 | |
| III.2. | Other reserves | 65 247 697 | |
| IV. | RETAINED EARNINGS (LOSSES) | 99 855 989 | 149 430 601 |
| IV.1. | Retained earnings (loss) of the reporting year | 79 485 358 | 123 719 243 |
| IV.2. | Profit (loss) of the reporting year | 20 012 543 | 18 737 354 |
| IV.3. | Profit (loss) of the previous year | 358 088 | 6 974 004 |
| D. | AMOUNTS PAYABLE AND LIABILITIES | 552 584 950 | 574 455 017 |
| I. | NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES | 390 717 956 | 377 557 791 |
| I.1. | Financial debts | 97 691 221 | 85 318 688 |
| I.1.1. | To credit institutions | 97 691 221 | 85 318 688 |
| I.2. | Grants, subsidies | 3 936 106 | 4 033 540 |
| I.3. | Trade amount payable | 1 679 767 | 666 852 |
| I.4. | Deferred taxes | 231 563 822 | 248 449 588 |
| I.5. | Deferred income from new customers | 55 847 040 | 39 089 123 |
| II. | CURRENT AMOUNTS PAYABLE AND LIABILITIES | 161 866 994 | 196 897 226 |
| II.1. | Current portion of non-current debts | 1 726 400 | 11 394 240 |
| II.2. | Financial debts | 8 726 896 | 28 046 269 |
| II.2.1. | To credit institutions | 8 726 896 | 28 046 269 |
| II.3. | Trade amounts payable | 90 482 431 | 110 228 920 |
| II.4. | Amounts received in advance | 39 453 007 | 18 670 315 |
| II.5. | Profit tax liabilities | 8 703 133 | 16 243 204 |
| II.6. | Liabilities related with labour relations | 8 052 055 | 3 211 419 |
| II.7. | Deferred income from new customers | 888 002 | 3 552 006 |
| II.8. | Other amounts payable and current liabilities | 3 835 070 | 5 550 853 |
| | TOTAL EQUITY AND LIABILITIES | 2445 896 814 | 2482 222 664 |

Finance Director

Arvydas Zakalskis

Chief Financier

Antosė Muliuolienė

Rytų skirstomieji tinklai AB

Company code 110870890, P. Lukšio str. 5b, Vilnius

CONSOLIDATED STATEMENT OF INCOME

(In accordance with the International Financial Reporting Standards)

30 September 2006

| No | Items | 30\09\2006 | 30\09\2005 |
|----------|---|--------------------|--------------------|
| 1 | INCOME | 668 557 044 | 611 898 465 |
| 1.1 | Sales income | 657 656 113 | 604 002 754 |
| 1.2 | Other income | 10 900 931 | 7 895 711 |
| 2 | COSTS | 642 324 398 | 586 946 955 |
| 2.1 | Electricity purchased | 268 940 274 | 247 235 472 |
| 2.2 | Depreciation and amortisation | 130 744 346 | 118 269 301 |
| 2.3 | Other costs | 242 639 778 | 221 442 182 |
| 3 | (LOSS) PROFIT FROM OPERATIONS | 26 232 646 | 24 951 510 |
| 4 | OTHER ACTIVITIES | (566 574) | (3 619 421) |
| 4.1 | Income from other activities | 2 897 376 | 914 014 |
| 4.2 | Expenses of other activities | 3 463 950 | 4 533 435 |
| 5 | FINANCING AND INVESTING ACTIVITIES | (1 355 179) | (2 394 855) |
| 5.1 | Income | 1 523 056 | 775 692 |
| 5.2 | Expenses | 2 878 235 | 3 170 547 |
| 6 | PROFIT (LOSS) BEFORE TAX | 24 310 893 | 18 937 234 |
| 7 | PROFIT AND SOCIAL TAXES | 4 298 350 | 14 216 180 |
| 8 | NET PROFIT (LOSS) | 20 012 543 | 4 721 054 |

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Chief Financier

Antosė Muliulienė

Rytų skirstomieji tinklai AB

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Consolidated Cash Flow Statement

(In accordance with the International Financial Reporting Standards)

30 September 2006

| | 30\09\2006 | 30\09\2005 |
|--|----------------------|---------------------|
| I. Cash flows from operating activities | | |
| I.1 Net profit (loss) | 20 012 543 | 4 721 054 |
| Recovery of non-cash expenses and other adjustments: | | |
| I.2 Depreciation and amortisation | 130 744 346 | 118 269 301 |
| I.3 Loss from sold and written-off assets | 5 130 039 | 6 067 799 |
| I.4 Decrease in (recovery of) value of non-current assets | (401 352) | (269 059) |
| I.5 Decrease in (recovery of) value of amounts receivable | 2 071 915 | 880 046 |
| I.6 Decrease in (recovery of) value of inventories | (308 470) | 758 420 |
| I.7 Costs of profit tax | 4 298 350 | 14 216 180 |
| I.8 Interest (income) | (622 965) | (335 797) |
| I.9 Interest costs | 2 829 347 | 3 127 474 |
| I.10 Dividend income | - | - |
| I.11 The effects of change in exchange rates | - | 43 113 |
| Total | 163 753 753 | 147 478 531 |
| Changes in circulating capital: | | |
| I.11 Decrease (increase) in inventories | (2 003 103) | 642 419 |
| I.12 Decrease (increase) in trade receivables | 3 707 142 | (2 601 128) |
| I.13 Decrease (increase) in other amounts receivable and advances received | (6 682 078) | (5 095 050) |
| I.14 Increase (decrease) in trade debts | (10 073 148) | (7 806 477) |
| I.15 Increase (decrease) in other debts | 37 914 524 | 22 264 158 |
| I.16 (Paid) profit tax | (28 724 186) | (12 686 335) |
| Net cash flows from operating activities | 157 892 904 | 142 196 118 |
| II. Cash flows from investing activities | | |
| II.1 (Acquisition of) non-current assets | (106 305 595) | (83 041 143) |
| II.2 (Acquisition of) investments | - | - |
| II.3 Loans (granted) | - | - |
| II.4 Decrease (increase) in non-current amounts receivable | 505 177 | 413 400 |
| II.5 Interests received | 622 965 | 335 797 |
| II.6 Dividends received | - | - |
| Net cash flows from investing activities | (105 177 453) | (82 291 946) |
| III. Cash flows from financing activities | | |
| III.1 Dividends (paid) | (34 329 124) | - |
| III.2 Loans received | 18 401 097 | 10 637 500 |
| III.3 Loans received | (35 015 777) | (62 420 192) |
| III.4 Interests (paid) | (2 882 684) | (3 324 006) |
| III.5 Decrease (increase) of time deposits | - | - |
| Net cash flows from financing activities | (53 826 488) | (55 106 698) |
| IV. The effects of change in foreign exchange rates on the cash balance | - | - |
| V. Net increase (decrease) in cash flows | (1 111 037) | 4 797 474 |
| VI. Cash and cash equivalents at the beginning of the period | 1 801 188 | 1 379 999 |
| VII. Cash and cash equivalents at the end of the period | 690 151 | 6 177 473 |

Finance Director

Arvydas Zakalskis

Chief Financier

Antosė Muliuolienė

Consolidated Statement of Changes in Equity

(In accordance with the International Financial Reporting Standards)
30 September 2006

| | Authorised capital | Revaluation reserve | Legal reserve | Other reserves | Accumulated (deficit) earnings | Total |
|---|--------------------|---------------------|-------------------|-------------------|--------------------------------|---------------------|
| Balance as of 31 December 2004 | 492 404 653 | 1500 944 386 | 42 060 928 | 219 700 | (124 092 050) | 1911 537 617 |
| Increase in authorised capital | 81 811 419 | (81 811 419) | | | - | - |
| Reduction of authorised capital | (81 811 419) | | | | 81 811 419 | - |
| Decrease in revaluation reserve of non-current tangible assets | | (96 985 944) | | | 96 985 944 | - |
| Use of reserves | | | (42 060 928) | (219 700) | 42 280 628 | - |
| Profit (loss) of the reporting period | | | | | 4 721 055 | 4 721 055 |
| Balance as of 30 September 2005 | 492 404 653 | 1322 147 023 | - | - | 101 706 996 | 1916 258 672 |
| Decrease in revaluation reserve of non-current tangible assets | | (26 733 299) | | | 26 733 299 | - |
| 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) |
| Correction of essential error (Decrease in revaluation reserve) | | (21 087 308) | | | | (21 087 308) |
| Correction of essential error (Profit excluded from Income (loss) statement) | | | | | 6 974 007 | 6 974 007 |
| Profit (loss) of the reporting period | | | | | 14 016 299 | 14 016 299 |
| Balance as of 31 December 2005 | 492 404 653 | 1265 932 393 | - | - | 149 430 601 | 1907 767 647 |
| Transferred to reserves | | | 49 356 490 | 65 247 697 | (114 604 187) | |
| Approved dividends | | | | | (34 468 326) | (34 468 326) |
| Decrease in revaluation reserve of non-current tangible assets | | (79 485 358) | | | 79 485 358 | - |
| Profit (loss) of the reporting period | | | | | 20 012 543 | 20 012 543 |
| Balance as of 30 September 2006 | 492 404 653 | 1186 447 035 | 49 356 490 | 65 247 697 | 99 855 989 | 1893 311 864 |

Finance Director

Arvydas Zakalskis

Chief Financier

Antosė Muliuliene

Explanatory note

30 September 2006

Rytų skirstomieji tinklai AB (hereinafter referred to as the Company) is a public limited liability company registered in the Republic of Lithuania. The Company has been registered in the Register of Legal Entities as of 31 December 2001. Shares of the Company have been entered in the Current List of Vilnius Stock Exchange. The address of the Company's main office is as follows:

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

The Company has been registered as a result of the reorganisation of the special purpose public limited liability company Lietuvos energija. After the reorganisation the Company executes the functions of the operator of the distribution network and the public supplier.

The activities of Rytų skirstomieji tinklai AB are regulated by the Law on Electricity of the Republic of Lithuania No VIII-1881 as of 20 July 2000.

State Commission of Price and Energy Control regulates the Company's price policy by establishing the maximum price caps of the services provided.

In order to separate transport activities and electricity network services from the activities of the Company, the following separate subsidiaries were established: Elektros tinklo paslaugos UAB, Rytra UAB, Tetas UAB. Elektros tinklo paslaugos UAB and Rytra UAB were registered in the Register of Legal Entities on 8 December 2004. Tetas UAB was registered in the Register of Legal Entities on 8 December 2005.

Addresses of the main offices of the Company and its subsidiaries (hereinafter referred to as the Group):

| Name of the Company / Subsidiaries | Addresses of the main offices |
|--|--------------------------------------|
| Administration of Rytų skirstomieji tinklai AB | Lukšio str. 5 b, Vilnius |
| Rytra UAB | Geologų str. 16, Vilnius |
| Elektros tinklo paslaugos UAB | Motorų str. 2, Vilnius |
| Tetas UAB | Senamiesčio str. 102 B, Panevėžys. |

The consolidated financial statement (hereinafter referred to as the Statement) has been prepared in accordance with the International Financial Reporting Standards (IFRS), Law on Book Keeping of the Republic of Lithuania, Law on Consolidated Financial Statement of Companies of the Republic of Lithuania and other legal acts. The Statement has been prepared on the historical cost basis, except for the revaluation of certain non-current tangible assets.

All amounts in the Statement are presented in the national currency of Lithuania, the Litas (LTL).

The Group's Statement of the current year and the Statement of the last year covering 9 months have not been audited, whereas the Statement as of 31 December 2005 has been audited.

The Statement includes financial statements of the Company and of the subsidiaries. Control is achieved where the Company has the power to govern the financial and operating activities of an investee enterprise so as to obtain benefits from its activities.

Financial results of the subsidiary, acquired or sold during the year, are included in the consolidated income statement from the date of the subsidiary was acquired until the date the subsidiary was sold, if applied.

Financial statements of subsidiaries are adjusted as to meet the accounting policies use by the Group unless the accounting polities are the same.

All significant intercompany balances, transactions, unrealised surpluses and deficits on transactions between the Group enterprises have been eliminated when consolidating.

Non-current intangible assets are stated at historical costs, less accumulated amortisation and impairment losses.

Amortisation is computed using the straight-line method. Liquidation value is not established. Amortisation costs are recognised as depreciation, amortization and impairment expenses in the income statement.

The impairment and write off losses are charged to depreciation, amortisation and impairment expenses in the income statement.

Gains and losses on disposal of intangible non-current assets are recognised in the income statement during the year of disposal.

Non-current tangible assets are stated at a revaluated amount less any subsequent accumulated depreciation and impairment loss. The revaluated amount is a fair value at the date of revaluation, which was carried out on 31 December 2003 by the independent Lithuanian appraisers Korporacija Matininkai UAB. Revaluation results were recorded in the accounting books on 1 December 2004.

Depreciation is computed using the straight-line method over the estimated useful lives of the related asset. Revaluated assets are depreciated over their remaining useful lives. Liquidation value equals to 1 LTL. Depreciation is recognised as depreciation, amortisation and impairment expenses in the income statement.

Investments into subsidiaries are stated at acquisition cost less impairment losses when balance value of investment exceeds the estimated recovery value. The dividends received are recorded in the income statement when the right of a shareholder to get money is established.

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out method.

Trade receivables are stated at their fair value upon their coming. Impairment of trade receivables is formed and recognised in the income statement when there exists objective evidence that value of the asset has decreased. Impairment amount is equal to difference between carrying amount and current cost of the estimated cash flows discounted using effective interest rate applicable at the initial recognition.

Trade payables are stated at their fair value at the initial recognition and later are computed at depreciated cost, which is calculated using effective interest rate method.

Bank loans with interest incurred and overdrafts are stated at fair value upon their coming and later are computed at depreciated cost using effective interest rate. Any difference between earnings (including transaction expenses incurred) and repayment of loans is recognised during the borrowing term in the income statement.

During 9 months of the year 2006, the Group sold 2891.0 million kWh of electricity to the customers, i.e. by 233.2 million kWh or 8.8% more as compared to the same period last year, and bought 3184.5 million kWh of electricity, i.e. by 7.2% or 213.0 million kWh more as compared to the same period last year.

During 9 months of the year 2006, income of the Group increased at the similar rate as expenses, 9.3% and 9.4% respectively. Variable expenses (for purchased electricity and transfer) increased by 8.5% (29.7 million LTL) during 9 months of the year 2006, and other expenses of operating activities increased by 10.8% (25.7 million LTL) as compared to the same period last year. In total, expenses within 9 months of the year 2006 amounted to 642.3 million LTL. The change in income and variable expenses was influenced by the increased electricity sales and change in other expenses – by the increased depreciation expenses (10.6% or 12.5 million LTL) as well as expenses related to wages.

During 9 months of the year 2006, the Group earned 24.3 million LTL of non-audited profit before taxes, i.e. by 5.4 million LTL more as compared to the same period last year. Higher profit was stipulated by the increased electricity sales (by 8.8 %) due to cold weather conditions at the beginning of the year, better results of financing and other activities.

Financial debts of the Group during 9 months of the year 2006 decreased by 16.6 million LTL and amounted to 108.1 million LTL.