

The report – prospect of the AB
Rytų skirstomieji tinklai
For the year 2006

May 25, 2007

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I. GENERAL PROVISIONS

1. The reporting period for that the report is prepared

The year 2006.

2. Main data about the emittent

Name of the Company	AB Rytų skirstomieji tinklai
Code	1108 70890
Statutory capital	492 404 653 Lt
Address	P. Lukšio g. 5B, LT-08221 Vilnius
Telephone	(8~5) 277 75 24
Fax	(8~5) 277 75 14
E-mail	info@rst.lt
Website	www.rst.lt
Legal-organizational form	Stock company, a legal entity of limited liability
Date and place of the registration	The 31st of December 2001, The Ministry of Economy of the Republic of Lithuania
The register where the information about the company is accumulated and stored	The register of legal persons
The keeper of the register	The registration division of the State Enterprise „Registru centras“, Vilnius branch

3. Nature of the emittent's main activities

The main activities are the distribution and supply of the electric energy by low and medium voltage networks to the users in the Eastern part of Lithuania (Vilnius, Panevėžys, Alytus and Utena counties and a part of Kaunas and Marijampolė counties).

4. The information about where and when it is possible to familiarize with the report and the documents upon those it is based (financial reports, auditor reports, etc.), and the name of mass media

It is possible to familiarize with the report and the documents, that have been basis for the report at the offices of the Company, P. Lukšio g. 5B, Vilnius, room No. 510 on working days during the hours from 7.30 until 11.30 and from 12.30 until 16.30.

All the essential events related with the activities of the company and the information about the time and place of the general meeting of shareholders as well as the other information that is due to be submitted to the shareholders and other persons, are published in the dailies „Lietuvos rytas“ and „Respublika“ and the website of Vilnius stock exchange. The information is also submitted to the news agencies BNS and ELTA according to the procedures specified in the laws of the Lithuanian Republic.

5. The persons responsible for the information submitted in the report:

5.1 The members of management bodies, employees and the head of the administration which are responsible for the report:

Rimantas Milišauskas, Director General of the AB Rytų skirstomieji tinklai, tel. (8~5) 251 26 50, fax (8~5) 277 75 14
Arvydas Zakalskis, Financial Director of the AB Rytų skirstomieji tinklai, tel. (8~5) 251 26 52, fax (8~5) 277 75 14

5.2. the consultants, that have assisted to prepare the report

Financial markets' department of the AB SEB Vilniaus bankas, Gedimino av. 12, LT-01103 Vilnius, tel. (8 5) 268 1190, fax (8 5) 262 6043, represented by the project manager of the Capital markets' division, that is responsible for the due formalization of the information, submitted by the company

6. The confirmation of the members of management bodies, employees and the head of administration, and of the emittent's consultants, responsible for the preparation of the report, that the information submitted in the report corresponds to the reality and there are no hidden facts that may have influence on the investor's decisions to buy or to sell the securities of the emittent, or on the price or the evaluation of these securities

The AB Rytų skirstomieji tinklai, represented by the Director General Rimantas Milišauskas and the Financial Director Arvydas Zakalskis, confirms, that the information submitted in the report corresponds to the reality and there are no hidden facts that may have influence on the investor's decisions to buy or to sell the securities of the emittent, or on the price or the evaluation of these securities.

The Financial markets' department of the AB SEB Vilniaus bankas, represented by the project manager of Capital market division, Donata Šukaitytė, confirms, that all the information, submitted in the report, has been given to this department by the employees and managers of the AB Rytų skirstomieji tinklai, and confirms the responsibility for the correct formalization of the submitted information. The AB Rytų skirstomieji tinklai is responsible for the correctness of the information.

Rimantas Milišauskas, Director General

Arvydas Zakalskis, Financial Director

AB SEB Vilniaus bankas

Financial market's department

Capital markets division project manager

Donata Šukaitytė

Date of signing the report – May 25, 2007.

II. THE INFORMATION ABOUT THE EMITTENT'S STATUTORY CAPITAL AND THE ISSUED SECURITIES

7. The emittent's statutory capital

7.1. The statutory capital, registered in the register of companies

On the 31st of December, 2006 the Company's statutory capital consisted of 492 404 653 ordinary nominal shares, the value of each share was 1 Lt.

Table 7.1.1. The structure of the statutory capital of the AB Rytų skirstomieji tinklai according to the types of shares

Type of shares	Number of shares	Nominal value (Lt)	Total nominal value, Lt	Part in the statutory capital, per cent
Ordinary nominal shares	492 404 653	1	492 404 653	100,00

All the shares of the AB Rytų skirstomieji tinklai are paid up.

7.2. the information about the planned increase of the statutory capital by converting or changing to shares the issued debt or derivative securities

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

8. The shareholders

The total number of shareholders of the AB Rytų skirstomieji tinklai on the day of last general meeting of shareholders (April 25, 2007) – 6 255.

Table 8.1. The shareholders, that by the 25th of April , 2007 had more than 5 per cent of the emittent's statutory capital.

Name, surname of the shareholder (name, type, address, code of the entity)	The number of ordinary nominal shares belonging to the shareholder by the right of ownership, units	The part of the statutory capital in possession, per cent	The part of votes that is given by the shares belonging by the right of ownership, per cent	The part of votes belonging to a shareholder acting with the related persons, per cent
The State, represented the Ministry of Economy of the Republic of Lithuania, Gedimino av. 38/2, Vilnius 1886 21919	351 316 161	71,35	71,35	----
E.ON Ruhrgas International AG, Huttropstrasse 60, Essen, Germany HRB No. 10974	99 845 392	20,28	20,28	----

9. Main characteristics of the shares issued to the public securities' turnover

On the 22nd of December, 2001 the Securities' Commission of the Republic of Lithuania has registered the emission of the AB Rytų skirstomieji tinklai 492 404 653 ordinary nominal shares, having the nominal value of 1 litas each, (the securities' registration act No. AB-5019, the securities' registration No. A01011525). The shares have been issued on the moment of the company establishment for the formation of its statutory capital by reorganizing the SP AB „Lietuvos energija“ by way of splitting. The company has been registered on 2001.12.31.

On the 9th of June, 2005 in the register of legal persons there has been registered the increased statutory capital of the company – 574 216 072 Lt. It has been divided into 574 216 072 ordinary nominal shares with a nominal value of one litas. The Company's statutory capital has been increased from the revaluation reserve by the amount of 81 811 419 litas, by issuing new ordinary nominal shares with the nominal value of one litas and dividing them free of charge to the

shareholders, proportionally to the nominal value of the shares that they have possessed by the right of ownership on the 28th of April 2005 (on the day of the general meeting of shareholders that has passed the resolution to increase the statutory capital).

At the general meeting of shareholders of the AB Rytų skirstomieji tinklai that has taken place on 2005.06.28 it has been decided, with the purpose to liquidate the losses written in the company balance of 2004.12.31, to diminish the company's statutory capital by annulling 81 811 419 ordinary nominal shares with the nominal value of one litas. The company's statutory capital has been diminished.

The diminished capital of the AB Rytų skirstomieji tinklai has been registered in the register of legal persons on the 1st of August, 2005. The company's statutory capital – 492 404 653 Lt, it is divided into 492 404 653 ordinary nominal shares with the nominal value of one litas .

10. Data about the shares distributed in the non-public way

The are no shares distributed in the non-public way.

11. Information about the receipts of the depository, issued on the basis of the shares

Not issued.

12. Main characteristics of debt securities issued to the public turnover of securities

Not issued.

13. Data about the debt securities, registered and distributed in the non-public way

Not issued.

14. The securities, not marking the participation in the statutory capital, but the turnover of those is regulated by the Law on Public securities' turnover, except the debt securities

Not issued.

III. THE DATA ABOUT THE SECONDARY TURNOVER OF THE SECURITIES, ISSUED BY THE EMITTENT

15. The securities included into the trading lists of exchanges

492 404 653 ordinary nominal shares of the AB Rytų skirstomieji tinklai with the nominal value of one litas (VP ISIN code LT0000126385), the total nominal value of those makes up 492 404 653 litas, are included into the Official trading list of Vilnius stock exchange (VSE) from 2007.05.02.

16. The trade of the emittent's securities in the exchanges

The information about the prices and turnovers of the shares for the period of 2005.01.01-2006.12.31 is submitted in the table.

Table 16.1. The trade of company shares in 2005 – 2006.

The reporting period		Price			Turnover (Lt)			Date of the last session	Total turnover	
From	To	Max	Min	Last Ses.	Max	Min	Last Ses.		(units)	(Lt)
2005 01 01	2005 03 31	3,45	2,70	3,05	717 402	11968	78 885	2005-03-31	2 617 044	8 180 919
2005 04 01	2005 06 30	3,50	2,47	2,92	990 953	0,00	37 834	2005-06-30	1 988 492	6 062 111
2005 07 01	2005 09 30	3,22	2,71	3,18	348 825	0,00	36 178	2005-09-30	1 194 174	3 678 193
2005 10 01	2005 12 31	3,19	2,63	2,82	390 116	0,00	16 135	2005-12-30	963 385	2 770 027
2006 01 01	2006 03 31	2,83	2,22	2,61	2 278 116	0,00	23 140	2006-03-31	4 841 456	11 452 355
2006 04 01	2006 06 30	2,62	2,17	2,31	1 337 538	0,00	53 915	2006-06-30	2 313 330	5 548 887
2006 07 01	2006 09 30	3,10	2,35	3,02	1 623 693	0,00	161 165	2006-09-29	3 341 539	9 356 837
2006 10 01	2006 12 31	3,86	3,00	3,86	670 018	0,00	206 921	2006-12-29	3 107 228	10 442 155

There is no trade of the company shares in any other stock exchanges except the Vilnius stock exchange.

17. The capitalization of securities

The capitalization of the AB Rytų skirstomieji tinklai ordinary nominal shares (securities ISIN code LT0000126385), according to the current list of Vilnius stock exchange in the years 2005-2006, is shown in the table.

Table 17.1. The capitalization of company shares

Date	Capitalization, Lt	Share price, Lt
2005 03 31	1 501 834 191	3,05
2005 06 30	1 437 821 586	2,92
2005 09 30	1 565 846 796	3,18
2005 12 30	1 388 581 121	2,82
2006 03 31	1 285 176 144	2,61
2006 06 30	1 137 454 748	2,31
2006 09 29	1 487 062 052	3,02
2006 12 29	1 900 681 960	3,86

18. The trade of the emittent's securities, except that in the exchanges

18.1 table. Non-exchange transactions of the AB Rytų skirstomieji tinklai ordinary nominal shares

The reporting period		Cash payment					Non-cash payment		Total number
		Price (Lt)		Amount, units	Sum, Lt	Number of transactions	Amount, units	Number of transactions	
From	to	max.	min.						
2005.01.01	2005.03.31	2,65	1,17	895 944	1 605 566	27	47 072	9	943 016
2005.04.01	2005.06.30	2,95	1,81	214 171	482 286	14	38 214	12	258 385
2005.07.01	2005.09.30	3,14	1,87	221 415	459 675	13	65 131	30	286 546
2005.10.01	2005.12.31	2,36	1,54	398 111	839 811	27	33 873	19	431 984
2006.01.01	2006.03.31	-	-	-	-	-	-	-	-
2006.04.01	2006.06.30	-	-	-	-	-	-	-	-
2006.07.01	2006.09.30	2,70	1,24	202 165	367 684	24	101 755	23	303 920
2006.10.01	2006.12.31	3,52	1,57	876 319	1 896 841	48	35 358	13	911 677

19. The data about the emittent's buying of own shares

During the reporting period the Company did not buy its own shares.

20. Publication of the official proposal

In the year 2006, the official proposal to buy the shares of the company has not been announced.

21. The emittent's payment agent

None.

22. Contracts with the intermediaries of public securities' turnover

On the 10th of May, 2007 there has been signed the Emittent's services contract with the consortium, consisting of the AB SEB Vilniaus bankas (company code: 112021238, Gedimino pr. 12, LT-01103 Vilnius) and the law offices Adamonis, Beržanskienė and partners SORAINEN LAW OFFICES (company code: 9400025, Jogailos g. 4, Vilnius), represented by the Financial markets' department of SEB Vilniaus bankas.

IV. THE DATA ABOUT THE EMITTENT'S ACTIVITIES

23. Legal basis for the emmitent's activities

The following legal acts are considered as the legal grounds of the AB Rytų skirstomieji tinklai activities:

- Law on Companies of the Republic of Lithuania;
- Law on Electric Energetics of the Republic of Lithuania;
- Law on Securities of the Republic of Lithuania;
- Law on Financial instruments' markets of the Republic of Lithuania;
- Other laws, Resolutions of the Government and other legal acts of the Republic of Lithuania.

24. Belonging to associated structures

The AB Rytų skirstomieji tinklai belongs to Lithuanian association of electric energetics and to Lithuanian confederation of industrialists. The company participates in these organizations by the rights of member and pays the member's fee. The Director General of the Company, Rimantas Milišauskas, is a Board member of Lithuanian association of electric energetics.

Lithuanian association of electric energetics is a voluntary organization, representing and defending the interests of electric and thermal energy production, transfer, distribution and supply companies and of the energetics construction organizations, other associated energetics structures as well as individual subjects, operating in the sphere of energy production, supply and energetics designing.

Lithuanian confederation of industrialists unites 37 branch and 8 regional associations, uniting more than 2 700 enterprises of various profiles. The most important goals of the Confederation are: to represent and to defend the members' interests in governmental, social and international organizations, to strengthen the Lithuanian economy, to help enterprises find new markets, to create the most favourable conditions for the exports of Lithuanian products, to strive that the ecologic requirements should be observed in Lithuania, to defend social and legal interests of Lithuanian employers, to strengthen the social dialogue, to develop relations with international organizations of industry, business and employers, etc.

25. Short history of the emittent

The AB Rytų skirstomieji tinklai has been registered at Lithuanian Ministry of economics on the 31st of December, 2001. The Company has been established by reorganizing SP AB „Lietuvos energija“ by way of splitting. From the SP AB „Lietuvos energija“, the has continued its activities after the reorganization as a stock company, there has been detached a part of assets, rights and liabilities and on the basis of that there have been established new companies AB Rytų skirstomieji tinklai, AB „Vakarų skirstomieji tinklai“, AB Lietuvos elektrinė and AB Mažeikių elektrinė.

On 2003.07.01 two new branches of the company started the activities: Transport services branch and Electric network services branch. On 2004.06.02 the company Board has passed a resolution to stop the activity of the branches, establishing instead of them regional centers – the structural parts of the company not having the legal status of a branch and has approved the establishment of daughter companies. On 2004.09.14 it has been decided to stop from 2004.10.01 the activities of these branches: Vilniaus elektros tinklai, Panevėžio elektros tinklai, Utenos elektros tinklai and Alytaus elektros tinklai. Vilnius, Panevėžys, Alytus and Utena regional centers started there activities from the 1st of October, 2004.

On 2004.11.24. there has been adopted a decision to establish a secondary company – UAB „Rytra“ on the basis of the assets of transport services branch, and a secondary company – UAB „Elektros tinklo paslaugos“ on the basis of the assets of electric network services branch. The companies have been registered at the register of legal persons on 2004.12.08. On 2005.01.01. the secondary companies started their activities. In the December of 2005, there has been registered the secondary company - UAB „Tetas“, that has started working independently from 2006.01.01. The secondary companies have been established with the purpose to differentiate the activities and to increase the efficiency of the activities.

26. Characteristics of the services

By the end of 2006, the company group consisted of the AB Rytų skirstomieji tinklai and the secondary companies UAB „Elektros tinklo paslaugos“, UAB „Rytra“, UAB „Tetas“.

Main activities of the AB Rytų skirstomieji tinklai are the distribution and supply of electric energy. In the year 2006, the company has sold to the users 3972,5 mln. kWh of electric energy, i. e. by 290,8 mln. kWh or 7,9 per cent more than in the year 2005. The record increase of sales has been influenced by:

- Cold winter of 2006 (the months of January, February);

- The technological costs and commercial losses, reduced by 1,7 per cent;
- General growth of the country's economy, that has influenced the increase of sales and of connecting new users.

With the increase of sales in the year 2006, the company has bought from the electric energy producers 4380,1 mln. kWh of electric energy, that is by 5,9 per cent or by 242,7 mln. kWh more than in the year 2005. Because of the reduced technological distribution costs and commercial losses, the rate of increase of the acquired energy was by 2,0 per cent less than the rate of increase of sales.

In the year 2006, the company received 935,7 mln. Lt of revenue, that is by 63,4 mln. Lt or by 7,3 per cent more than in the year 2005. The increase of the revenue has been conditioned by the increased amount of sold electric energy by 7,9 per cent.

Electric energy transmission tariffs and electric energy prices have not changed in the year 2006. These prices have been lower than the top price limits of public electric energy and electric energy distribution services' prices, set by the State Commission on prices and control of the energetics.

The Company's variable costs (electricity acquisition and transmission costs) in the year 2006, comparing with the year 2005, have increased by 8,1% or 39,7 mln. Lt and have made up 526,3 mln. Lt. The Company's relatively fixed costs in the year 2006 have made up 377,2 mln. Lt and have been by 4,7% or 17,0 mln. Lt larger than in the year 2005. The increase of these costs has been caused by the increased costs of repair and technical maintenance, of working salaries and related costs. Consolidated company group costs in the year 2006 have made up 901,9 mln. Lt, i.e. have been by 59,5 mln. Lt or 7,1 % larger than in the year 2005.

Table 26.1. The indicators characterizing the company's activities

ACTIVITY INDICATORS	2006	2005	2004
Net profitability = net profit / sales * 100	2,63%	1,99%	-10,39%
Average return of the assets = net profit / (Assets in the beginning + assets in the end) / 2 *100	0,99%	0,68%	-4,63%
Debt ratio = liabilities / assets	0,24	0,23	0,24
Debt-ownership ratio = liabilities / own capital	0,32	0,30	0,31
General liquidity ratio = short term assets / short term liabilities	0,41	0,48	0,41
Assets turnover degree = sales / assets	0,37	0,34	0,30
Accounting value of a share = own capital / number of shares	3,84	3,87	3,85
Net profit for one share = net profit / number of shares	0,05	0,03	-0,16

27. Realization markets

At present moment the Company distributes and supplies electric energy for over 729000 clients in the Lithuanian area of 34800 sq.km: in Vilnius, Panevėžys, Alytus and Utena counties and in a part of Kaunas and Marijampolė counties. The Company is responsible for the supervision, reliability and development of low (0,4 kV) and medium voltage (35-10 kV) electric networks and for the supply of electric energy to the users in the serviced territory.



Figure 27.1. Sales area, covered by the AB Rytų skirstomieji tinklai

In the year 2006, the Company has sold 3972,5 mln. kWh of electric energy, that is by 7,9 % more than in the year 2005. The raise of electric energy sales was stimulated by the increase of GDP in the country, cold winter of 2006, vivid activity of construction and commercial enterprises etc.

Table 27.1. Amounts of the sold electric energy in the years 2004 – 2006.

	2006	2005	2004
Amount of the sold electric energy in the serviced territory, GWh	3 973	3 680	3 531

In the year 2006, the largest part of electric energy has been sold to the users, attributed to the group of other users, and also to the individuals and industry enterprises. The largest part of the contracts are signed for a one-year period with an „automatic“ prolongation. The contracts with the individuals are concluded without the fixed term of the end.

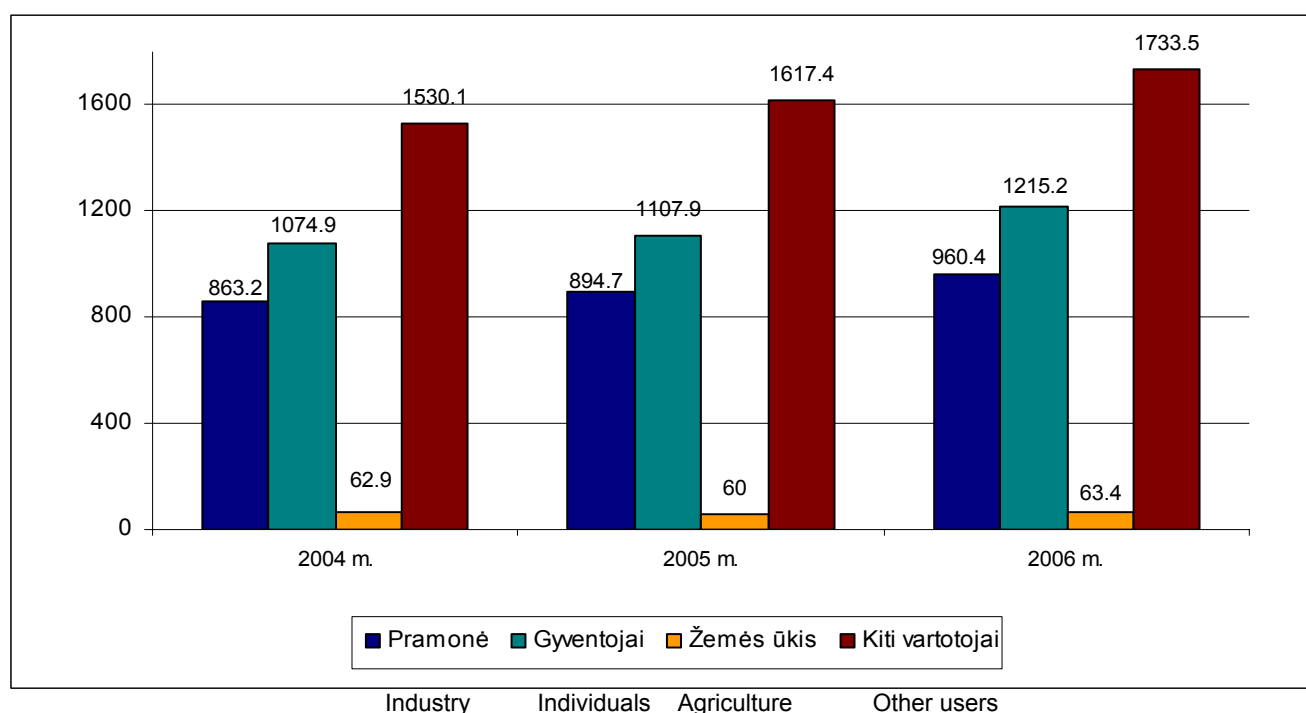


Figure 27.2. The comparison of electric energy sales according to the groups of the users in the years 2004-2006, mln. kWh

In the year 2006, the users that have consumed the largest amounts of electric energy in the territory, serviced by the AB Rytų skirstomieji tinklai, have been AB „Grigiškės“, UAB „Vilniaus vandenys“ and UAB „Retail Europe“.

In the year 2006, there have been prepared and published the electric energy tariffs, having new structure, and distribution prices for the company’s clients – legal persons – that are connected to the low-voltage distribution network. The Company has offered to this group of clients from the 2007.01.01 the freely chosen two-component (power and energy) payment plans. Thus, from the beginning of the year, all legal persons may choose the most favourable payment plans taking into account their individual needs. The introduction of power tax should encourage the users to refuse from excess powers and that would allow the Company to plan the development of the network optimally, taking into account the real parameters of the network’s usage.

28. Supply

In the national electricity market the electricity suppliers may freely choose the electric energy producers and conclude the electric energy sale-purchase contracts. The Company concludes annual contracts with the electric energy producers, hydro-power plants or other electric energy producers.

In the year 2006, the Company has bought the largest part of the electric energy directly from the producers – the State Company (VĮ) Ignalina nuclear power plant (2391,4 mln. kWh), the UAB „Vilniaus energija“ and the UAB „Kaunas termofication power plant“. In the end of December, 2004, there has been stopped the first block of the SC Ignalina nuclear power plant. The full stop of the second block for a planned repair in the August – December, 2006, when the VĮ Ignalina nuclear power plant has been working only with one generator, has strongly affected the trade in the electricity

market. Because of these reasons, the electric energy, bought from other producers, became more expensive. These changes had no impact to the clients of the AB Rytų skirstomieji tinklai.

29. Fixed assets and other main media

The AB Rytų skirstomieji tinklai is the operator of the distribution network, possessing the medium- and low-voltage distribution networks in the serviced area, that comprises Vilnius, Panevėžys, Alytus and Utena counties and a part of Kaunas and Marijampolė counties. The Company has no land plots, all the land plots are rented.

To the distribution network belong:

- 0,4–35 kV -voltage lines of electricity in the air, air cables and underground cables;
- 35-110/6–10 kV-voltage transformer substations' equipment, 6-35 kV-voltage electricity equipment and the 35-110 kV-voltage power transformers;
- 10 kV-voltage distribution points;
- 6-10/0,4 kV – voltage transformer stations.

Table 29.1. The Company's long term material assets

Name	Balance value on 2006-12-31, Lt
Buildings and constructions	134 534 797
Constructions and electric networks	1 908 230 693
Machines and equipment	212 530 443
Other long term material assets	47 474 115
Unfinished construction	55 454 618
TOTAL:	2 358 224 666

The largest part of the company's long term assets' value is made up from the „technologic“ fixed assets, that are the assets used in the main activities of the company (0,4–35 kV-voltage electric lines in the air, air cable and underground cable lines, 35-110/6–10 kV – voltage transformer substations' equipment, 6-35 kV-voltage electric equipment and 35-110 kV-voltage power transformers, 10 kV-voltage distribution points, 6-10/0,4 kV-voltage transformer stations).

A part of the company's long term assets is made up from machines, equipment, machinery, tools and appliances, according to the purpose.

The characteristics of the company's general-purpose fixed assets (administration, production buildings, warehouses), the balance of value of those on 2006-12-31 exceeds 0,5 mln. Lt, is presented in the table 29.2.

Table 29.2. The Company's general-purpose fixed assets that have the value, exceeding 0,5 mln. Lt

The address of the assets	Description	2006-12-31 value, Lt
Vilnius, P. Lukšio str. 5b	Main office building	10 108 216
Vilnius, Motorų str. 2	Vilnius` region buildings` group	7 459 616
Vilnius, Gervėčių str. 4	Vilnius city southern division buildings` group	4 549 767
Alytus, Pramonės str. 7	Alytus region buildings` group	3 807 205
Utena, Užpalių str. 87	Utena region buildings` group	3 676 527
Panevėžys, Senamiesčio str. 102b	Panevėžys region buildings` group	3 194 187
Šalčininkai, Pramonės str. 13	Šalčininkai division building	2 847 117
Nemenčinė, Bažnyčios str. 21	Vilnius district division buildings` group	2 411 322
Vilnius, P. Lukšio str. 3	Main office building	2 192 641
Marijampolė, Sporto str. 11	Marijampolė division buildings` group	1 595 352
Vilnius, P. Lukšio str. 5	Vilnius city northern division building	1 573 335
Trakai, Gedimino str. 24	Trakai division buildings` group	1 240 562
Anykščiai, Šviesos str. 1	Anykščiai division buildings` group	1 141 438
Širvintai, Kalnalaukio str. 3	Širvintai division buildings` group	1 106 867
Lazdijai, Kauno str. 77	Lazdijai division buildings` group	1 096 485
Druskininkai, Gardino str. 90	Druskininkai division buildings` group	971 658
Švenčionys, Užupio str. 1	Švenčionys division buildings` group	950 191
Vilkaviškis, Žemdirbių str. 3	Vilkaviškis division buildings` group	907 540
Zarasai, Valstiečių str. 14	Zarasai division buildings` group	852 424

Panevėžys, Tinklų str. 5	Panevėžys division buildings` group	631 968
Molėtai, Statybininkų str. 7	Molėtai division buildings` group	607 035
Ukmergė, Deltuvos str. 47	Ukmergė division building	592 440

Table 29.3. Information about the unfinished construction on 2006-12-31, Lt

Transformer substations, 10 kV distribution points, 35 kV electric lines	17 237 289
0,4-10 kV electric networks	6 527 221
The connection of new users' electric equipments	11 907 442
Capital repair for the electric network	592 560
Communication and management systems	8 454 633
Electricity accounting equipment and systems	11 770
Computers and software	5 505 475
Buildings	5 978 734
Total:	56 215 124
Depreciation:	(760 506)
TOTAL:	55 454 618

30. Risk factors, related with the emittent's activities

Risk factors. The company group in its activities confronts with economic, political, technologic and other risk factors.

Economic risk factors. The main economic risk factors are the following:

- the dependence from the main producer in Lithuania, the Ignalina NPP,
- the influence of electricity market liberalization,
- the risk of price changes in the market of the equipment, machinery and materials used in the exploitation and building of the electricity network.

The Company buys a major part of electric energy directly from the VĮ Ignalina nuclear power plant, therefore it confronts with the risk of unplanned stopping of the Ignalina nuclear power plant. After the stop of this power plant the Company is obliged to buy more expensive energy from alternative sources. Because of this reason, there is a risk of the increase of the largest part of the costs – the costs of the acquired electric energy price. It is foreseen, that also the shut-down of the Ignalina nuclear power plant in 2009, will have a large influence on the electric energy.

From 2007.07.01, not only the enterprises, but also the individuals will be able to use the right of free user status, that is the possibility to choose the electric energy supplier and to conclude with it the contract on electric energy sale-purchase. Therefore, it increases the risk of maintaining the current supply market share. During the exploitation and the expansion of the possessed distribution market the Company buys electric equipment and materials, the prices of those depend on market trends. The Company's costs of exploiting and investing into electric network and at the same time the company's financial results are dependent from the prices of those products.

Political risk factors. The AB Rytų skirstomieji tinklai operates in the sector of energetics, the activities of that are essentially regulated by the Law on electric energetics of the Republic of Lithuania. In this aspect it is necessary to evaluate the influence of possible changes of the mentioned law and other legal acts for the activity of the company and its results.

The Company's licensed activity is controlled by the State commission of prices and the control of energetics (further – SCP) that determines the upper limits of prices, regulated by the state, controls the application of the tariffs and prices, regulated by the state, and approves the prices of connecting of the energetic objects. The concrete electric energy tariffs to the end users are approved by the Board of the Company.

Taking into account the fact, that the largest Company's shareholder is the State, that possesses 71,35 per cent of the company shares, it is possible to understand that the State's decision to announce its opinion on the Company privatization may have a large influence on the Company's activities and its share price. The representatives of the State, being the members of the Company Board, also directly influence the company's management and the establishment of concrete electric energy tariffs to the users. Thus, the activity of the Company, decisions and activity results may be dependent on the State's policy on social, economic and other questions.

Technical – technologic risk factors. During the distribution of the electric energy in the electricity network there are experienced the technologic costs and commercial losses. The technologic costs depend on the technical characteristics of the distribution network and its optimal usage. Commercial losses form from the unsanctioned connections to the

electric networks and the thieving of the electric energy by illegally damaging the electric energy accounting equipment and the elements of the accounting system. The company, with a purpose to eliminate the commercial losses, caused by external subjects, actively executes the prevention of thefts and the moving of electric energy accounting equipment into the places, easily accessible for the distribution network operator.

One of the key factors, characterizing the activity of distribution network operator is the reliability of distributing the electric energy, that is evaluated by the duration and number of disconnections that fall to the users. Because of the unpredictable external factors, such as the elemental natural phenomena, there exists the risk that the reliable supply of the electric energy would not be ensured for the users, and the Company would not receive the planned income and the elimination of the corresponding irregularities would cause supplementary exploitation costs.

Social risk factors. During the servicing of energy users, the exploitation and modernization of the electric network, the Company feels the increasing shortage of professional specialists in the market, also there is a risk of the change of the present personnel. That is caused both by the external and the internal reasons. The unemployment level in the country is diminishing with a high level of emigration and the increased demand for the labour force. These factors cause the increase of salaries in the labour market of the country. The Company, operating in a regulated market, has limited possibilities to compete.

Ecologic risk factors. The main activity of the Company – the electric energy distribution and supply, in difference from the activities of the enterprises, producing the electric energy, is less contaminating the environment.

Risk factors of returning the bank loans. The Company, keeping to the guidelines of the loan programs of previous years, has uniformly distributed the parts of loans to be returned in the perspective of time, therefore the risk of returning the loans is not foreseen. The loans and the interests are returned to the credit institutions according to the terms set in the contracts.

30.1. The Company's loans on the 31st of December.

	2006	2005
Long term		
Bank loans	80 362 769	85 318 688
Short term		
Bank account credit (overdraft)	39 437 179	28 046 269
Bank loans	19 054 852	11 394 240
	58 492 031	39 440 509
Total loans	138 854 800	124 759 197

The variable interest rates are set for all the Company's bank loans, with the review period not more than every six months. There is no mortgage of any assets for the assurance of the return of the loans.

Table 30.2. Bank loan return terms on the 31st of December.

	2006	2005
Between 1 and 2 years	19 054 852	16 580 346
Between 2 and 5 years	61 307 917	54 920 236
Over 5 years	-	13 818 106
	80 362 769	85 318 688

Table 30.3. The Company's loans and overdrafts by currencies on the 31st of December, Lt

	2006	2005
Litas	39 437 179	28 046 269
Euros	99 417 621	96 712 928
	138 854 800	124 759 197

31. The production stop or reduction that had or has essential influence to the activity results of the emittent during 2 last financial (economic) years

Did not take place.

32. Patents, licenses, contracts

On the basis of the Article 12 of the Law on Electric energetics of the Republic of Lithuania, the 2001.12.05 Resolution of the Government of the Republic of Lithuania No. 1474 „On the approval of the legal acts, necessary for the implementation of the Law On Electric energetics of the Republic of Lithuania“, the approved licensing regulations of the activities in the energy sector and the 2002.03.20 resolution No. 29 of the State Commission on prices and the control of energetics, the following licenses are issued for the AB Rytų skirstomieji tinklai:

1. Electric energy distribution license No. ES-2, giving the right to perform the activity of electric energy distribution.
2. Electric energy public supplier's license No. VET-2, giving the right to perform the activity of electric energy supply.

33. Legal and arbitrary proceedings.

The Company and its secondary companies participate in several legal cases and have the actions brought up against them for the conflicts arising in the course of daily activities. On the opinion of the management, the end of these actions will not have a significant negative impact on the activities of the Company or its secondary companies.

The collection of debts for the electric energy in the year 2006.

Last year, the AB Rytų skirstomieji tinklai has submitted 152 actions against legal persons for 2,970 mln. Lt. The company has submitted 1685 actions against the individuals for 2,215 mln. Lt, among them 1188 actions for 0,724 mln. Lt about the non-payments for the consumed electric energy, 497 actions for 1,491 mln. Lt about the unaccounted usage of the electric energy.

Over the year 2006, it has been adjudged from legal persons 1,339 mln. Lt (among that fines – 0,043 mln. Lt), and from the individuals – 1,162 mln. Lt, among that 0,410 mln. Lt for the non-payments for the consumed electric energy and 0,752 mln. Lt for the unaccounted usage of the electric energy.

Note: The debts included into the adjudged sums are those that have the court decisions adopted in the year 2006. The other actions, submitted in the year 2006, should be satisfied in the year 2007.

2006 01 24 the AB "Centro kubas" has submitted an action for the Vilnius 1st district court against the AB Rytų skirstomieji tinklai (on 2006 03 22 the action has been made more precise), asking:

1. to oblige the AB Rytų skirstomieji tinklai no later than after 3 months from the day of the decision's coming into force to gather the extraordinary general meeting of shareholders and to include into its agenda the question about the increase of the statutory capital by the material contributions (according to the 2003-12-03 order of the Ministry of Economy No.4-450);
2. to impose to the AB Rytų skirstomieji tinklai a fine of size established by the court for every day of delayed execution of the obligation, if the defendant would not execute the above-mentioned obligation;
3. to adjudge the litigation costs.

On 2006 11 23 the court has passed the decision, by that it has partly satisfied the action of the plaintiff of the AB "Centro kubas" (it has obliged to gather the general meeting of shareholders and to include into its agenda the question about the increase of the statutory capital by the material contributions and has rejected the requirement about the fine).

The AB Rytų skirstomieji tinklai has executed the court's decision and has included into the agenda of the ordinary meeting of shareholders, that has taken place on 2007 04 25, the question about the increase of the statutory capital by the material contributions. The shareholders have decided not to discuss this question.

The legal processes did not have essential influence for the company's activities.

34. Employees

Qualified, educated and motivated personnel conditions the effectiveness of the company activities and the success. The Company strives to create the safe working environment, the motivation system and to offer interesting leisure time so that every employee could feel himself an important part of the AB Rytų skirstomieji tinklai. The main social guarantees for the employees are foreseen in the collective agreement that is renewed every two years. In the year 2006, it has been foreseen in the agreement the minimal annual indexation of the salaries of all the employees at the level of the last year's inflation.

At the end of 2006, there have been 2 141 employees in the Company, at the beginning of the year respectively – 2100 employees. In the year 2006, this indicator has increased up to 5,5%, when in 2005 it has respectively made up 3,8%.

Table 34.1. Average list number of the employees in the Company in the years 2004-2006 .

	2006-12-31	2005-12-31	2004-12-31
Number of employees	2 139	2 242	2 962
Managers and specialists	1455	1 468	1 685
Employees	684	774	1 277

Special attention is paid to the development of competence of the employees. In the year 2006, 1728 employees or more than 80 per cent of the total number of the Company's employees have participated in trainings. The Company allocates more and more resources to personnel trainings, supports the studying employees – grants scholarships, pays the tuition fees, grants paid study holidays. The EU support is received for the training of the employees' qualifications. In March 2006, there has been signed the grant contract with the European social fund. The total value of the project „Development of the employees' professional competences and computer literacy“ – 2,6 mln. Lt. The support of the structural funds – 1.4 mln. Lt.

34.2. The groups of employees according to the education in the years 2004-2006 .

	Number of employees in 2006	Number of employees in 2005	Number of employees in 2004
Having tertiary education	848	821	792
Having special secondary education	776	816	897
Having secondary education	475	550	1083
Other	40	55	190

Following the changes in the labour market in 2006, where the average salaries have increased by 17%, the Company has increased the salaries and has allocated part of the profit, earned in the year 2005, for the bonuses of the employees and has allocated more funds to the investment life insurance of the employees.

34.3. Average monthly salaries of the employees (Lt)

Employees	Average salaries in 2006	Average salaries in 2005	Average salaries in 2004
Managers and specialists	2314	2 199	2 110
Workers	1557	1 448	1 288

35. Investments' policy

The Company has invested into the new and has reconstructed the existing long term assets with the purposes to improve the quality of the assets, used for the electric energy distribution and to ensure the business development by connecting new users to the distribution network and to increase the efficiency of the activities and the quality of the services. The Company's investments into the long term assets in the year 2006, have made up 201,1 mln. Lt, that is by 43,8 mln. Lt or by 27,8% more than in the year 2005. The main directions of the investments are submitted in the table below.

At the end of 2006, the group of companies has consisted of the AB Rytų skirstomieji tinklai and the secondary companies UAB „Elektros tinklo paslaugos“, UAB „Rytra“, UAB „Tetas“. The essential information about the secondary companies is submitted in the table below.

35.1. Information about the Company's daughter companies

	UAB „Rytra“	UAB „Elektros tinklo paslaugos“	UAB „TETAS“
Office address	Vilnius municipality, Vilnius city Motorų str. 2 / Geologų str. 16	Vilnius city municipality, Vilnius city Motorų str. 2	Panevėžys city municipality Panevėžys city, Senamiesčio str. 102B
Nature of the activities	Provides transport rent services. Rents lorries and passenger cars, building and special purpose mechanisms.	Provides the services of technical maintenance, exploitation, repair of the electric network, performs the works of internal electric installation	Provides specialized electric network services – exploits the electric equipment of substations, distribution points, transformer stations, performs the testing works
Size of the statutory capital, Lt	22 998 000	11 657 000	1 988 000
Type and class of shares belonging to the emittent	Ordinary nominal shares	Ordinary nominal shares	Ordinary nominal shares
Number of shares	22 998 000	11 657 000	1 988 000
Nominal value of shares, Lt	1	1	1
The part of the emittent's votes, possessed by the right of the ownership or controlled in the general meetings of shareholders of these companies, per cent	100	100	100
Net profit (loss), Lt	418 776	518 257	117 558
Short term liabilities' and short term assets' ratio	1,48	1,04	0,97
Total liabilities' and total assets' ratio	0,23	0,41	0,69
Size of the dividends, paid out to the emittent, Lt	167 510	207 303	47 023
Size of the loans, granted by the emittent to the company over the reporting period, Lt	2 000 000	-	-
Size of the loans, received by the emittent from the company over the reporting period, Lt	-	-	-

35.2. Information about the main investments of the Company

Type of the investments	2006	2005	Investments' structure in 2006	Change in 2006/2005
	mln. Lt	mln. Lt	%	%
Connecting of new users	79,2	57,1	39,4	38,7
Transformer substations and distribution points	40,3	30,5	20,0	31,9
0,4-10 kV electric network	41,6	37,1	20,7	12,3
Communication and control systems	12,3	4,7	6,1	163,9
Computers and management equipment	6,8	7,9	3,4	-13,9
Other	20,9	20,1	10,4	4,0
Total	201,1	157,3	100,0	27,8

The connecting of new users has made up more than one third of the investments for the year 2006 m. - 79,2 mln. Lt. Because of the increased power of new consumers, connected to the distribution network, these investments have increased by 22 mln. Lt or 39% in comparison with the year 2005.

In the year 2006, the Company has completed the following projects:

a) Reconstructed transformer substations (TS):

- 110/10 kV Film studio TS;
- 110/35/10 kV Leipalingis TS;

b) Reconstructed distribution points:

- 10 kV distribution point in S. Daukantas street, Vilnius;
- 10 kV distribution point in Aludarių street, Vilnius;

c) Newly built distribution points:

- 10 kV distribution point SP – 123 in Kuprijoniškės, Vilnius;
- 10 kV distribution point SP – 208 in Ukmergės str., Vilnius;

d) Implementation of SCADA retranslation controllers into the Dispatcher center of the AB Rytų skirstomieji tinklai

e) Design and the implementation of the optical cable with the communications equipment Vilnius city southern division – Center – Airport.

Transformer substations and distribution points have been reconstructed by applying the modern technologies and implementing automatic control systems. After the reconstruction, the reliability of the electric energy supply to the users has improved and also there has appeared a possibility to supply the electric energy to a larger number of its users.

36. Competitors

The company performs its activities only in Lithuania, in a concretely specified area. The competition in the internal market forms because of the supply of the electric energy. The competition for the Company in the serviced area may arise only from independent energy suppliers that will be able to provide their services freely from the 1st of July, 2007.

37. Dividends paid out

For the financial year	Dividends, Lt	Dividends, per share, Lt	Part from the nominal value of one share, per cent
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
2006	34 468 326	0,07	7,00

V. FINANCIAL SITUATION

38. Financial reports

The data of the financial reports is submitted by the national Lithuanian currency – litas.

The financial accounting is kept in the Company and the financial reporting is made on the basis of the International financial accounting standards (IFAS). Financial year coincides with the calendar year.

38.1. The balances of last 3 financial (economic) years, according to the IFAS (in litas)

	GROUP			COMPANY		
	2006-12-31	2005-12-31	2004-12-31	2006-12-31	2005-12-31	2004-12-31
ASSETS						
Long term assets						
Long term material assets	2 398 484 723	2 376 162 733	2 393 171 645	2 358 224 666	2 338 833 126	2 393 171 645
Immaterial assets	2 879 289	3 112 570	3 439 395	2 879 289	3 112 570	3 439 395
Investments into the daughter companies	-	-	-	36 643 000	34 685 000	60 000
Assets of the deferred profit tax	490 888	432 403	-	-	-	-
Long term amounts receivable and advance payments	7 582 918	4 876 284	7 509 871	7 582 918	4 876 284	7 509 145
	2 409 437 818	2 384 583 990	2 404 120 911	2 405 329 873	2 381 506 980	2 404 180 185
Short term assets						
Reserves	6 989 142	6 552 451	11 614 033	3 461 322	3 234 878	11 614 033
Trading and other amounts receivable	89 963 171	86 576 277	75 429 126	92 930 718	87 804 427	75 429 126
Derivative financial instruments	255 321	-	-	255 321	-	-
The profit tax paid in advance	214 567	-	-	83 652	-	-
Money and money equivalents	1 561 800	1 801 189	1 379 999	1 048 736	881 866	1 319 999
Total	98 984 001	94 929 917	88 423 158	97 779 749	91 921 171	88 363 158
Long term assets for sale	475 885	341 160	-	475 885	341 160	-
	99 459 886	95 271 077	88 423 159	98 255 634	92 262 331	88 363 158
Assets total	2 508 897 704	2 479 855 067	2 492 544 069	2 503 585 507	2 473 769 311	2 492 543 343
EQUITY						
The shareholders' capital and reserves						
Statutory capital	492 404 653	492 404 653	492 404 653	492 404 653	492 404 653	492 404 653
Revaluation reserve	1 166 123 149	1 274 286 873	1 479 857 078	1 158 657 074	1 265 932 393	1 479 857 078
Statutory reserves	49 356 490	-	42 060 928	49 240 465	-	42 060 928
Other reserves	61 850 362	-	-	60 574 527	-	-
Accumulated profit	125 586 172	138 276 121	(116 897 617)	132 415 072	144 880 654	(116 897 617)
Shareholders' equity total	1 895 320 826	1 904 967 647	1 897 425 042	1 893 291 791	1 903 217 700	1 897 425 042
LIABILITIES						
Long term liabilities						
Loans	80 362 769	85 318 688	86 354 528	80 362 769	85 318 688	86 354 528
Liability of the deferred profit tax	225 799 594	248 881 991	259 710 815	225 917 975	248 881 991	259 710 815
Other long term liabilities	67 599 583	43 789 515	35 055 318	67 599 583	43 789 515	35 055 318
Total	373 761 946	377 990 194	381 120 661	373 880 327	377 990 194	381 120 661
Short term liabilities						
Trading and other amounts to be paid	9 181 741	16 243 204	8 445 721	8 878 846	15 404 718	8 445 721
Profit tax liabilities	61 840 037	39 440 509	85 567 233	58 492 031	39 440 509	85 567 233
Loans	239 814 932	196 897 226	213 998 366	236 413 389	192 561 417	213 997 640
Total liabilities	613 576 878	574 887 420	595 119 027	610 293 716	570 551 611	595 118 301
Equity and liabilities total	2 508 897 704	2 479 855 067	2 492 544 069	2 503 585 507	2 473 769 311	2 492 543 343

38.2. The profit (loss) statements of last 3 financial (economic) years, according to the IFAS (in litas)

	GROUP			COMPANY		
	2006-12-31	2005-12-31	2004-12-31	2006-12-31	2005-12-31	2004-12-31
Revenue	933 779 159	869 155 758	741 584 773	933 457 971	871 435 546	741 584 773
Other revenue	1 234 298	855 770		2 286 529	939 416	
Electric energy acquisitions	(375 670 479)	(345 182 200)	(327 536 440)	(375 670 479)	(345 182 200)	(327 536 440)
Costs of the electric energy transmission services	(150 617 312)	(141 454 587)	(131 559 399)	(150 617 312)	(141 454 587)	(131 559 399)
Wear-out and amortization	(174 500 306)	(171 997 624)	(80 913 111)	(167 809 404)	(167 442 317)	(80 913 111)
Payments to the employees and the related social security payments	(107 633 208)	(92 618 591)	(75 164 949)	(81 176 885)	(73 644 251)	(75 164 949)
Repair and technical maintenance costs	(48 820 032)	(44 379 791)	(39 779 345)	(70 973 382)	(64 352 183)	(39 779 345)
Transport costs	(710 340)	(514 711)	(216 709)	(12 579 399)	(11 850 180)	(216 709)
Other profit (loss), by net value	269 878	(1 888 971)	2 910 478	212 085	(1 966 465)	2 910 478
Other costs	(44 008 137)	(46 263 067)	(176 439 229)	(44 645 949)	(42 927 668)	(176 439 229)
Operating profit	33 323 521	25 711 986	(87 113 931)	32 483 775	23 555 111	(87 113 931)
Financial activities' revenue	738 903	189 788	119 981	738 285	179 484	119 981
Financial activities' costs	(4 123 609)	(3 820 610)	(4 721 424)	(3 990 029)	(3 809 461)	(4 721 424)
Financial activities' costs, by net value	(3 384 706)	(3 630 822)	(4 529 443)	(3 251 744)	(3 629 977)	(4 529 443)
Profit before taxes	29 938 815	22 081 164	(91 643 374)	29 232 031	19 925 134	(91 643 374)
Profit tax	(5 117 310)	(3 344 536)	14 608 816	(4 689 614)	(2 938 453)	14 608 816
Profit for the year	24 821 505	18 736 628	(77 034 558)	24 542 417	16 986 681	(77 034 558)
Attributable to:						
The Company's shareholders	24 821 505	18 736 628	(77 034 558)	24 542 417	16 986 681	(77 034 558)
Profit per share for the profit attributable to the Company's shareholders (Lt for one share)						
– main profit for one share/ diminished profit for one share	0,050	0,037	(0,156)	0,050	0,034	(0,156)

38.3 The profit (loss) statements of last 3 financial (economic) years, according to the IFAS (in litas)

	GROUP			COMPANY		
	2006-12-31	2005-12-31	2004-12-31	2006-12-31	2005-12-31	2004-12-31
Ordinary activities						
Profit for the period	24 821 505	18 736 628	(77 034 558)	24 542 417	16 986 681	(77 034 558)
Corrections:						
– profit tax	5 117 310	3 344 536	(14 608 816)	4 689 614	2 938 453	(14 608 816)
– wear-out and amortization	174 625 716	171 997 624	80 913 111	167 934 814	167 442 317	80 913 111
– (Profit)/loss from the sale of long term material assets (LTMA)	(19 795)	1 888 098	(252 152)	43 235	2 030 121	(252 152)
– the write-off of the LTMA and the immaterial assets (IA)	10 381 743	7 070 945	1 811 794	10 245 050	7 065 388	1 811 794
– LTMA depreciation	229 441	78 284	123 039 858	229 441	78 284	123 039 858
– the restoration of the LTMA depreciation	(259 790)	(650 096)	(640 604)	(259 790)	(650 096)	(640 604)
– Depreciation of the amounts receivable/(restoration)	1 423 721	(865 401)	(2 017 000)	1 445 932	(1 001 728)	(2 017 000)
– Depreciation of the reserves/(restoration)	(553 728)	(593 242)	(94 902)	(833 194)	(778 066)	(94 902)
– Interests' revenue	(902 420)	(384 888)	(96 731)	(1 073 662)	(470 209)	(96 731)
– Interests' costs	4 122 875	3 737 218	4 721 424	3 989 300	3 726 069	4 721 424
– Dividends' revenue	-	-	-	(927 907)	-	-
Changes of the turnover capital:						
– reserves	630 427	5 712 590	3 947 528	1 121 169	9 169 299	3 947 528
– trading and other amounts receivable	(5 164 600)	(10 486 436)	1 432 435	(5 335 318)	(9 586 414)	1 432 435
– trading and other amounts to be paid	47 108 981	28 649 034	3 744 521	50 501 155	25 252 610	3 744 521
Cash flows from the ordinary activities	261 561 386	228 234 894	124 865 908	256 312 256	222 202 709	124 865 908
Interests paid	(3 944 286)	(3 715 978)	(4 507 192)	(3 810 711)	(3 704 829)	(4 507 192)
Profit tax paid	(35 489 119)	(15 183 302)	(7 112 114)	(34 263 154)	(15 183 302)	(7 112 114)
Net cash flows from the ordinary activities	222 127 981	209 335 614	113 246 602	218 238 391	203 314 578	113 246 602
Investment activities						
Acquisitions of the LTMA and immaterial assets	(208 415 910)	(164 046 776)	(134 460 237)	(199 798 918)	(156 802 843)	(134 460 237)
Revenue from the sale of the LTMA and IA	1 173 369	1 210 067	3 478 496	1 101 083	1 072 526	3 478 496
The loans, given to the daughter companies	-	-	-	(2 000 000)	(2 000 000)	-
The loans returned	715 353	772 175	615 278	715 353	772 175	615 278
Interests received	902 420	384 888	96 731	1 073 662	470 209	96 731
Dividends received	-	-	-	927 907	-	-
Contribution to the statutory capital of daughter companies	-	-	-	-	(30 000)	(60 000)
Net cash flows used in the investment activities	(205 624 768)	(161 679 646)	(130 269 732)	(197 980 913)	(156 517 933)	(130 329 732)
Financial activities						
Loans received	14 847 040	10 358 400	140 914 099	14 847 040	10 358 400	140 914 099
Loans returned	(12 142 347)	(56 009 092)	(120 895 259)	(12 142 347)	(56 009 092)	(120 895 259)
Dividends paid to the Company shareholders	(34 186 211)	-	(7 583 378)	(34 186 211)	-	(7 583 378)
Net cash flows from the financial activities	(31 481 518)	(45 650 692)	12 435 462	(31 481 518)	(45 650 692)	12 435 462
Net increase of cash and bank overdraft surplus	(14 978 305)	2 005 276	(4 587 668)	(11 224 040)	1 145 953	(4 647 668)
Cash and bank overdraft surplus at the beginning of the reporting period	(26 245 080)	(28 250 356)	5 967 667	(27 164 403)	(28 310 356)	5 697 667
Cash and bank overdraft surplus at the end of the reporting period	(41 223 385)	(26 245 080)	1 379 999	(38 388 443)	(27 164 403)	1 319 999

38.4. The report of the changes of the own capital during the last 3 financial (economic) years, according to the IFAS (in litas)

COMPANY	Statutory capital	Revaluation reserve	The reserve, foreseen in the laws	Other reserves	Accumulated profit	Total equity
Residual on 2004.01.01	492 404 653	35 356	31 435 860	-	(21 654 613)	502 221 256
Revaluation of long term material assets (corrected)		1 740 966 732		-		1 740 966 732
The liability of deferred profit tax arising from the revaluation of long term material assets (corrected)		(261 145 010)		-		(261 145 010)
The loss of the reporting period (corrected)				-	(77 034 558)	(77 034 558)
Dividends				-	(7 583 378)	(7 583 378)
The reserves formed			10 625 068	-	(10 625 068)	
Residual on 2004.12.31	492 404 653	1 479 857 078	42 060 928	-	(116 897 617)	1 897 425 042
The result of correcting the essential mistake					(2 800 000)	(2 800 000)
Residual on 2005.01.01	492 404 653	1 479 857 078	42 060 928	-	(119 697 617)	1 894 625 042
Transferred wear-out with the deduction of tax	-	(123 719 243)	-	-	123 719 243	-
Effect of the increased tax tariff to the revaluation reserve	-	(8 394 023)	-	-	-	(8 394 023)
Net costs, recognized directly in the equity	-	(132 113 266)	-	-	123 719 243	(8 394 023)
Profit for the year	-	-	-	-	16 986 681	16 986 681
Recognized revenue and costs for the year 2005, total	-	(132 113 266)	-	-	140 705 924	8 592 658
Increase of the statutory capital	81 811 419	(81 811 419)	-	-	-	-
Lowering of the statutory capital	(81 811 419)	-	-	-	81 811 419	-
The use of the reserve foreseen in the law	-	-	(42060928)	-	42 060 928	-
Residual on 2005.12.31	492 404 653	1 265 932 393	-	-	144 880 654	1 903 217 700
Residual on 2006.01.01	492 404 653	1 265 932 393	-	-	144 880 654	1 903 217 700
Transferred wear-out with the deduction of tax – directly recognized in the equity	-	(107 275 319)	-	-	107 275 319	-
Profit for the year	-	-	-	-	24 542 417	24 542 417
Recognized revenue and costs for the year 2006, total	-	(107 275 319)	-	-	131 817 736	24 542 417
Transferred to the reserves	-	-	49 240 465	60 574 527	(109 814 992)	-
Dividends for the year 2005	-	-	-	-	(34 468 326)	(34 468 326)
Residual on 2006.12.31	492 404 653	1 158 657 074	49 240 465	60 574 527	132 415 072	1 893 291 791

GROUP	Statutory capital	Revaluation reserve	The reserve, foreseen in the laws	Other reserves	Accumulated profit	Total equity
Residual on 2004.01.01	492 404 653	35 356	31 435 860	-	(21 654 613)	502 221 256
Revaluation of long term material assets (corrected)		1 740 966 732		-		1 740 966 732
The liability of deferred profit tax arising from the revaluation of long term material assets (corrected)		(261 145 010)		-		(261 142 010)
The loss of the reporting period (corrected)				-	(77 034 558)	(77 034 558)
Dividends				-	(7 583 378)	(7 583 378)
The reserves formed			10 625 068	-	(10 625 068)	
Residual on 2004.12.31 (corrected)	492 404 653	1 479 857 078	42 060 928	-	(116 897 617)	1 897 425 042
The result of correcting the essential mistake					(2 800 000)	(2 800 000)
Residual on 2005.01.01	492 404 653	1 479 857 078	42 060 928	-	(119 697 617)	1 894 625 042
Transferred wear-out with the deduction of tax	-	(115 364 763)	-	-	115 364 763	-
Effect of the increased tax tariff to the revaluation reserve	-	(8 394 023)	-	-	-	(8 394 023)
Net costs, recognized directly in the equity	-	(123 758 786)	-	-	115 364 763	(8 394 023)
Profit for the year	-	-	-	-	18 736 628	18 736 628
Recognized revenue and costs for the year 2005, total	-	(123 758 786)	-	-	134 101 391	10 342 605
Increase of the statutory capital	81 811 419	(81 811 419)	-	-	-	-
Lowering of the statutory capital	(81 811 419)	-	-	-	81 811 419	-
The use of the reserve foreseen in the law	-	-	(42060928)	-	42 060 928	-
Residual on 2005.12.31	492 404 653	1 274 286 873	-	-	138 276 121	1 904 967 647
Residual on 2006.01.01	492 404 653	1 274 286 873	-	-	138 276 121	1 904 967 647
Transferred wear-out with the deduction of tax – directly recognized in the equity	-	(108 163 724)	-	-	108 163 724	-
Profit for the year	-	-	-	-	24 821 505	24 821 505
Recognized revenue and costs for the year 2006, total	-	(108 163 724)	-	-	132 985 229	24 821 505
Transferred to the reserves	-	-	49 356 490	61850362	(111 206 852)	-
Dividends for the year 2005	-	-	-	-	(34 468 326)	(34 468 326)
Residual on 2006.12.31	492 404 653	1 166 123 149	49 356 490	61850362	125 586 172	1 895 320 826

The notes of the financial reports (the explanatory note of the financial reports) are submitted together with annual report-prospect.

40. The report prepared by the Emittent's board or other body performing its functions

The consolidated annual report of the AB Rytų skirstomieji tinklai is submitted together with this annual report – prospect.

41. Information about the audit

The AB Rytų skirstomieji tinklai financial reporting audit, the audit of the consolidated company and daughter companies' financial reporting and the review of the consolidated annual report has been done by the UAB „PricewaterhouseCoopers“.

Information about the audit company that has performed the audit

Address	J.Jasinskio str. 16B, LT-01112 Vilnius
Code	1114 73315
Telephone	(8~5) 239 23 00
Fax	(8~5) 239 23 01
Website	www.pwc.com/lt

The conclusions of the auditors are submitted together with this annual report - prospect.

VI. INFORMATION ABOUT THE EMITTENT'S MANAGEMENT BODIES

42. The structure of the management bodies of the AB Rytų skirstomieji tinklai

The structure of the AB Rytų skirstomieji tinklai management bodies consists of:

- the General meeting of shareholders;
- the Supervisory Board (elected from 5 members for the period of 4 years);
- the Board (elected from 5 members for the period of 4 years);
- the Head of the Administration.

42.1. Titles, names and surnames, personal codes of the members of management bodies, the data about the participation in the emittent's statutory capital (the possessed part of the statutory capital and the part of votes, by per cent)

Table 42.1.1. The participation in the statutory capital of the members of the Company's Supervisory Board, of the Board and the Administration

Name, surname	Title	The possessed part of the statutory capital, per cent	The part of votes, per cent
Supervisory Board (Elected by the decision of the 2005-06-28 general meeting of shareholders)			
Anicetas Ignotas	Chairman	-	-
Mario Nullmeier	Member	-	-
Saulius Spėčius	Member	-	-
Aušra Pažėraitė	Member	-	-
Nijolė Bujauskienė	Member	-	-
Board (re-elected in the 2005-07-04 meeting of the Supervisory Board)			
Jonas Rimantas Kazlauskas	Chairman	-	-
Rimantas Milišauskas	Member	-	-
Rimvydas Rukšėnas	Member	0,00003	0,00003
Nijolė Sabonienė	Member	-	-
Algimantas Zaremba	Member	-	-
Administration			
Rimantas Milišauskas	General Director	-	-
Valdas Bancevičius	Electric network director	0,00001	0,00001
Saulius Kasparavičius	Electric supply director	-	-
Arvydas Zakalskis	Financial director	0,001	0,001
Rolandas Baškys	Procurement and logistics director	-	-
Rimantas Aliukonis	Legal and personnel director	-	-
Antosė Muliuolienė	Chief financial officer	0,000002	0,000002

42.2. The data about the chairman of the board, the head of the administration and the chief financial officer, additionally indicating the education, profession and the employment places and positions during the last 10 financial years

Rimantas Milišauskas – Director General. The education – tertiary, Kaunas' polytechnics institute, the profession – engineer – electrician.

The employment places and positions over last 10 years:

From 2001 09 03	The AB Rytų skirstomieji tinklai directorate's director, general director
From 1996 01 16 till 2001 09 03	The director of the AB „Lietuvos energija“ branch „Vilniaus elektros tinklai“
From 1993 10 29 till 1996 01 16	Deputy director of the Lithuanian State energetic system's branch „Tena“
From 1986 10 10 till 1993 10 29	Head of the „Alytaus elektros tinklai“ Marijampolė district electric networks

Antosė Muliuolienė – chief financial officer. The education – Vilnius' school for the finance and credit, the profession – financial accounting.

The employment places and positions over last 10 years:

From 2002 01 01	Chief financial officer of the AB Rytų skirstomieji tinklai
From 1992 01 01 till 2001 12 31	Chief accountant of the AB „Lietuvos energija“ branch „Vilniaus elektros tinklai“

Jonas Rimantas Kazlauskas – the chairman of the board. Deputy director of the public institution „Energetikos agentūra“. The education – tertiary, Kaunas' polytechnics institute, the profession – engineer, the doctor's dissertation is defended.

42.3. Information about the participation in the activities of other companies, institutions and organizations, the possessed part of the companies' capital and votes, exceeding 5 per cent

Table 42.3.1. Participation in the activities of other companies, institutions and organizations of the members of the Company Supervisory Board, the board and the Administration

Name, surname	Name of the organization, title	Part of the capital and votes in other companies, per cent
Supervisory Board		
Anicetas Ignotas	Secretary of the Ministry of Economy of the Republic of Lithuania	-
	AB „Lietuvos energija“, Chairman of the Supervisory Board	-
	AB „Kauno energija“, Member of the Supervisory Board	-
Mario Nullmeier	E.ON Ruhrgas International (ERI) AG, Head of the Baltic office	-
Saulius Spėčius	Adviser to the Prime Minister of the Republic of Lithuania	-
	AB „Klaipėdos nafta“, Member of the Board	-
	AB „Lietuvos energija“, Member of the Supervisory Board	-
	AB „Lietuvos elektrinė“, Member of the Supervisory Board	-
Aušra Pažėraitė	A scientific employee at the Lithuanian energy institute	-
Nijolė Bujauskienė	The Ministry of Economy of the Republic of Lithuania, chief specialist of the division of the state property privatization at the department of company law and privatization	-
	AB „Lietuvos energija“, Member of the Supervisory Board	-
	AB „Lietuvos elektrinė“, Member of the Supervisory Board	-
Jonas Rimantas Kazlauskas	Public institution „Energetikos agentūra“, Deputy Director	-
Rimvydas Rukšėnas	President of the National electric energy Association	-
Nijolė Sabonienė	Chief specialist of the shares' management division in the State company – The State Property Fund	-
	UAB „Gargždų mida“, Member of the Board	-
Algimantas Zaremba	The Ministry of Economy of the Republic of Lithuania, Director of the Department of Energetics	-
	AB „Lietuvos energija“, Member of the Board	-
Administration		
Rimantas Milišauskas	-	-
Valdas Bancevičius	UAB „Elektros tinklo paslaugos“, Chairman of the Board	-
	UAB „Tetas“, Chairman of the Board	-
Saulius Kasparavičius	-	-
Arvydas Zakalskis	-	-
Rolandas Baškys	UAB „Rytra“, Chairman of the Board	-
Rimantas Aliukonis	UAB „Elektros tinklo paslaugos“, Member of the Board	-
Antosė Muliulienė	-	-

42.3. The data about the unliquidated convictions of the member of management bodies for the crimes against property, economic order or finance

The members of the Company management bodies do not have unliquidated convictions.

42.4. The data about the beginning and the end of the term of the office of each member of management bodies

The Supervisory Board of the AB Rytų skirstomieji tinklai has been elected in the 2005.06.28 general meeting of shareholders. The Supervisory board has been elected for 4 years.

The Company's Board has been elected for 4 years on 2005.07.04.

43. Information about the payments and loans to the members of management bodies

43.1. Information about the sums and average sizes of payments of salaries, annual payments and other payments from the profit, divided to one person (according to the mentioned persons' categories)

Table 43.3.1. Information about the payments to the emittent's management bodies

	Calculated salaries, Lt	Annual payments, Lt (paid out in the year 2006)	Other payments from the profit (dividends), Lt
To the Supervisory Board members	-	-	-
To all the Board members (5)	-	50 000	10
The average for one Board member	-	10 000	2
To all the administration members (7)	1 336 048	-	111 119
The average for one administration member	190 864	-	15 874

43.2. The amounts of salaries, annual payments and other payments from the profit, received from the companies, where the emittent's part in the statutory capital exceeds 20 per cent, by the members of the emittent's supervisory board, the board and the administration.

None.

43.3. The loans, guarantees and pledges, by that the performance of the obligations is ensured, given to the members of management bodies

None.

44. Contracts with the interested persons

Related companies	Amounts to be paid	Amounts receivable and given loans	Acquisitions of goods and services	The sale of goods and services
Daughter companies	10 965 814	272 046	84 183 867	9 527 452
The companies controlled by the State	49 218 710	1 990 794	509 952 161	19 437 207

VII. THE NEWEST AND ESSENTIAL EVENTS IN THE EMITTENT'S ACTIVITIES AND THEIR PERSPECTIVE

45. The newest events in the emittent's activities

On 2007.04.25 10 a.m. the ordinary general meeting of shareholders of the AB Rytų skirstomieji tinklai took place.

The RESOLUTIONS of the meeting:

- I) To approve the financial report for the year 2006 of the AB Rytų skirstomieji tinklai;
- II) To approve the Company's and its daughter companies' consolidated financial report;
- III) To approve the distribution of Company's profit (loss) for the year 2006:

1. Undistributed profit (loss) of the previous year at the beginning of the reporting year:	0 Lt (0 EUR)
2. Net profit (loss) of the reporting year:	24 542 417 Lt (7 113 744 EUR)
3. The profit (loss) of the reporting year not recognized in the profit (loss) statement:	107 872 655 Lt (31 267 436 EUR)
4. Transfers from the reserves:	0 Lt (0 EUR)
5. Contributions of shareholders to cover the losses:	0 Lt (0 EUR)
6. Distributable profit (loss) total:	132 415 072 Lt (38 381 180 EUR)
7. The part of the profit, allocated to the mandatory reserve:	0 Lt (0 EUR)
8. The part of the profit, allocated to the reserve to acquire own shares:	0 Lt (0 EUR)
9. The part of the profit, allocated to other reserves:	95 766 746 Lt (27 758 477 EUR)
10. The part of the profit, allocated to pay out the dividends:	34 468 326 Lt (9 990 819 EUR)
11. The part of the profit, allocated to annual payments for the members of the Board, employee bonuses and other purposes:	2 180 000 Lt (631 884 EUR)
11.1. to the support:	500 000 Lt (144 928 EUR)
11.2. to annual payments for the members of the Board:	80 000 Lt (23 188 EUR)
11.3. to the bonuses of the employees and other purposes:	1 600 000 Lt (463 768 EUR)
12. Undistributed profit (loss) at the end of the reporting year, transferred to the next financial year:	0 Lt (0 EUR)

IV) Not to discuss the question of increasing the Company's statutory capital by supplementary contributions;

V) Not to discuss the question of revocation of the shareholders' right of priority to acquire the shares issued by the Company;

VI) To amend and to change the by-laws of the AB Rytų skirstomieji tinklai:

1. To amend and to change the item 6.2 of the by-laws of the AB Rytų skirstomieji tinklai:
 - 1.1 To add the new sub-item 6.2.2 and to lay it down as follows:
„6.2.2. to receive the funds of the Company, when the capital of the Company is diminished with a purpose to pay out the Company funds to the shareholders.“
 - 1.2 To consider the previous sub-items 6.2.2 – 6.2.7 respectively as the sub-items 6.2.3 – 6.2.8.
2. To change the item 8.2.5 of the by-laws of the AB Rytų skirstomieji tinklai and to lay it down as follows:
„8.2.5. to approve the annual financial report;“
3. To amend and to change the item 10.3 of the by-laws of the AB Rytų skirstomieji tinklai:
To add the new sub-item 10.3.2. and to lay it down as follows:
„10.3.2. the annual report of the Company;“
3.2. To consider the previous sub-items 10.3.2 – 10.3.9 respectively as the sub-items 10.3.3 – 10.3.10.
4. To change the item 10.8 of the by-laws of the AB Rytų skirstomieji tinklai and to lay it down as follows:
„10.8. The Board must convocate and organize the general meetings of shareholders on time, ensure the preparation of name lists of the owners of the shares, prepare the agendas for the general meetings of shareholders, submit to the shareholders the draft Company's annual financial report and the draft of the profit (loss) distribution together with the Company's annual report, drafts of the decisions and other information necessary to discuss the questions of the agenda“.

5. To authorize the Company's Director General Rimantas Milišauskas to sign the new version of changed by-laws of the AB Rytų skirstomieji tinklai and to submit them to the State Company „The center of registers“.

For one share of the AB Rytų skirstomieji tinklai having a nominal value of 1 litas it is allocated 0,07 litas (0,02 EUR) of dividends (without the deduction of tax). The persons entitled to the dividends were that on the end of the day of ordinary general meeting of shareholders that had announced the dividends, i.e. on 2007.04.25, were the shareholders of the Company. The dividends will be paid out via the securities managers of the company shareholders and via the company's (mittens) securities manager. Basing on the Article 60, part 4 of the Law on Companies, the dividends will be paid out over one month from the adoption of the decision to pay out the dividends.

On 2007.05.02 The Company has informed that the preliminary consolidated unaudited result of the AB Rytų skirstomieji tinklai for the first quarter of the year 2007 according to the International financial accounting standards is:

- the profit before the deduction of profit tax is 23,8 mln. Lt (6,9 mln. EUR), that is by 3,3 per cent less in comparison with the first quarter of the year 2006 – 24,6 mln. Lt (7,1 mln. EUR);
- s - the net profit is 19,1 mln. Lt (5,54 mln. EUR), that is by 1 per cent more in comparison with the first quarter of the year 2006 – 18,9 mln. Lt (5,47 mln. EUR);
- the revenue from the activity is 282,6 mln. Lt (81,9 mln. EUR), that is by 9 per cent more in comparison with the first quarter of the year 2006 – 259,2 mln. Lt (75,1 mln. EUR).

46. Essential events in the emittent's activities

In the general meeting of shareholders of the AB Rytų skirstomieji tinklai that has taken place **on 2006.04.26** there have been passed the following resolutions: to take into account the auditor's conclusion, during the approval of the financial reporting for the year 2005; to approve the company's activity report for the year 2005; to approve the company's financial reporting for the year 2005; to approve the company's profit (loss) distribution for the year 2005: net profit (loss) of the reporting year 16 986 681 Lt; transfers from the reserve (revaluation) 123 719 243 Lt; the distributable profit (loss) of the reporting year 147 680 654 Lt, distributing 49 240 465 Lt to the mandatory reserve, 60 574 527 Lt – to other reserves, 34 468 326 Lt – to pay out the dividends, 3 397 336 Lt – to annual payments, employee bonuses and other purposes; to select the CSC „PricewaterhouseCoopers“ as the Company's auditor to perform the audit of the financial reporting of the years 2006-2007 and to establish the price for the payment of the services 103 840 Lt (30 099 EUR) (including the VAT) per year.

For one share of the AB Rytų skirstomieji tinklai having a nominal value of 1 litas it is allocated 0,07 litas (0,02 EUR) of dividends (without the deduction of tax).

2006.04.27. The Company has informed that the preliminary consolidated unaudited result of the AB Rytų skirstomieji tinklai for the first quarter of the year 2006 according to the International financial accounting standards is:

- the profit before the deduction of profit tax is 25,8 mln. Lt (7,5 mln. EUR), the revenue of the ordinary activities in comparison with the first quarter of the year 2005 - 230,4 mln. litas (66,8 mln. euro) has increased by 12,4 per cent up to 258,9 mln. litas (75 mln. euro).

2006.07.31. The Company has informed that the preliminary consolidated unaudited result of the AB Rytų skirstomieji tinklai for the first half of the year 2006 according to the International financial accounting standards is:

- the profit before the deduction of profit tax is 26,3 mln. Lt (7,6 mln. EUR), the revenue of the ordinary activities in comparison with the first half of the year 2005 - 421,5 mln. litas (122,2 mln. euro) has increased by 10,2 per cent up to 464,4 mln. litas (134,6 mln. euro).

2006.10.31. The Company has informed that the preliminary consolidated unaudited result of the AB Rytų skirstomieji tinklai for the three quarters of the year 2006 according to the International financial accounting standards is:

- the profit before the deduction of profit tax is 24,3 mln. Lt (7 mln. EUR), the revenue of the ordinary activities in comparison with the three quarters of the year 2005 - 611,9 mln. litas (177,4 mln. euro) has increased by 9,3 per cent up to 668,6 mln. litas (193,8 mln. euro). The earnings before taxes, interest and amortization (EBITDA) are 164 mln. litas (47.5 mln. euro). The trends of increasing electric energy sales allow to predict that the company in the year 2006 would receive up to 905,3 mln. litas (262,4 mln. euro) of revenue and would earn up to 21,6 mln. litas (6,3 mln. euro) of profit before taxes. The main reason for the diminishment of the predicted profit is the first block of the Ignalina NPP, working not in full force and consequently the increased costs of acquiring the electric energy.

2006.12.20 The Company has informed that the Board of the AB Rytų skirstomieji tinklai on 2006.12.15 has approved the company (not including the daughter companies) action plan for the year 2007: the operating revenue plan for the year 2007 is 1,036 mlrd. Lt (300,4 mln. euro), that is by 13,5 per cent more in comparison with the plan for the year 2006; the plan of electric energy sales for the year 2007 is 4,097 mln. kWh, that is by 4,8 per cent more in comparison with the plan for the year 2006; the investments' plan for the year 2007 is 209,8 mln. Lt (60,8 mln. euro), that is by 23 per cent more in comparison with the plan for the year 2006 – 170 mln. Lt (49,3 mln. euro). The main reason for the increase of the revenue is the change of final electric energy costs for all the electricity users from 2007.01.01, because of the increasing costs electric energy production and transmission services.

47. The strategy of the activities and the foreseen changes during the nearest financial (economic) year

The Company's main goals for the year 2007 - the improvement of the quality of the clients' service and the increase of the reliability of electric energy supply and distribution.

It is planned that the Company's sales revenue in the year 2007 will make up 1.031,8 mln. Lt, that is by 111,0 mln. Lt. or by 12,1 % more than in the year 2006. The predicted revenue of the company group is 1032,0 mln. Lt.

It is planned that the electric energy sales in the year 2007 will grow by 3,1 %, and the average electric energy sales tariff will increase by 1,7ct/kWh (not including the VAT), because of the increased prices of electric energy production and transmission services.

It is predicted that, in the year 2007, the net profit will be 21,7 mln. Lt, i.e. it will remain in the level of the year 2006. The group of companies in the year 2007 will also strive to earn the profit not smaller than in the last year. Considering the rapid growth of the number of users, the increase of the power of the consumers newly connected to the distribution network and the implementation of the automatic dispatcher control system, the plan of the investments for the year 2007 is 209,8 mln. Lt, that is by 23 per cent more in comparison with the plan for the year 2006 - 170 mln. Lt. The main directions of the investments are the connecting of new users, the reconstruction of transformer substations and the development of the 0,4-10 kV electricity network.