



To Lithuanian Securities Commission
Konstitucijos ave. 23
LT-08105 Vilnius

2008-02-29 No. 10430-217

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the rules on preparation and submission of periodic and additional information of Lithuanian Securities Commission, we, Rimantas Milišauskas, General Director of Rytų skirstomieji tinklai AB, and Arvydas Zakalskis, Finance Director, hereby confirm that, to the best of our knowledge, the attached Rytų skirstomieji tinklai, AB Interim Consolidated Financial Statements of the twelve months of 2007 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of Rytų skirstomieji tinklai, AB and the Group of undertakings.

ENCLOSURE: AB Rytų skirstomieji tinklai report for the twelve months of the year 2007

General Director

Rimantas Milišauskas

Finance Director

Arvydas Zakalskis

Artur Grigorian, tel. 251 26 38

AB Rytų skirstomieji tinklai report for the twelve months of the year 2007

February 29, 2008

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I. GENERAL PROVISIONS

1. The reporting period for that the report is prepared

The report is prepared for the year 2007.

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. The information about where and when it is possible to familiarize with the report and the documents, that have been basis for the report, 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. 108 on working days during the hours from 7.30 until 11.30 and from 12.30 until 16.30.

The mass media AB Rytų skirstomieji tinklai – the dailies „Lietuvos rytas“ and „Respublika“, Lithuanian telegrams' agency ELTA, the news' agency BNS.

4. The persons responsible for the information, submitted in the report

4.1. The members of management bodies, employees and the head of the administration are responsible for the report
Rimantas Milišauskas, Director General, tel. (8~5) 251 26 50, fax (8~5) 277 75 14

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

Artur Grigorian, Senior specialist of the assets management division, tel. (8~5) 251 26 38, fax (8~5) 277 75 14

Date of the report's signing – the 29th of February, 2008.

Place of the report's preparation – AB Rytų skirstomieji tinklai (P. Lukšio g. 5B, Vilnius)

II. INFORMATION ABOUT THE EMITENT'S STATUTORY CAPITAL, THE EMITTED SECURITIES AND THE MEMBERS OF MANAGEMENT BODIES

5. The shareholders

By the 29th of December, 2007 the total number of the AB Rytų skirstomieji tinklai shareholders is – 6 270.

5.1. table. The structure of the statutory capital of AB Rytų skirstomieji tinklai.

Type of shares	Number of shares, units	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

5.2. table. The shareholders, that by the 29th of December, 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	----

6. Members of the management bodies

6.1. Titles, names and surnames, information about the participations in the emittent's statutory capital

6.1.1. table. Members of the management bodies of the AB Rytų skirstomieji tinklai

Name, surname	Title	The part of the statutory capital in possession, per cent	The part of votes, per cent.
Supervisory Board			
Anicetas Ignotas	Chairman	-	-
Mario Nullmeier	Member	-	-
Saulius Spėčius,	Member	-	-
Aušra Pažėraitė,	Member	-	-
Nijolė Bujauskienė	Member	-	-
Board			
Jonas Rimantas Kazlauskas	Chairman	-	-
Rimantas Milišauskas	Member	-	-
Rimvydas Rukšėnas*	Member	0,00003	0,00003
Nijolė Sabonienė	Member	-	-
Algimantas Zaremba	Member	-	-
Administration			
Rimantas Milišauskas	Director General	-	-
Valdas Bancevičius	Director for Power network	0,00008	0,00008
Saulius Kasparavičius	Director for Power supply	-	-
Arvydas Zakalskis	Financial Director	0,001	0,001
Rolandas Baškys	Director for purchases and logistics	-	-
Rimantas Aliukonis	Legal and personnel Director	-	-
Antosė Muliulienė	Chief Financial Officer	0,000002	0,000002

* Rimvydas Rukšėnas died in 2007-07-12

6.2. Information about the participation in the activities of other companies, institutions and organizations (name of company, institution, organization, title), the part of the companies' capital and votes, exceeding 5 per cent

6.2.1. table. Participation in the activities of other companies, institutions and organizations

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	-
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 Mulioliienė	-	-

* Rimvydas Rukšėnas died in 2007-07-12

III. FINANCIAL CONDITION

Since 1 January 2005, Rytų Skirstomieji Tinklai AB accounting has been done in accordance with International Accounting Standards. The company's financial reports provided in this section have been prepared according to International Financial Reporting Standards. The company's financial reports as of 31 December 2006 have been checked by auditors.

7. Balance sheet, LTL

	GROUP		COMPANY	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006
ASSETS				
Long-term assets				
Long-term tangible assets	2475 917 084	2399 646 066	2435 584 102	2359 386 009
Intangible assets	10 700 654	2 879 289	10 694 856	2 879 289
Investment in subsidiaries			36 643 000	36 643 000
Deferred profit tax assets	135 198	490 888		
Long-term receivables and prepayments	6 736 239	7 582 918	6 736 239	7 582 918
	2493 489 175	2410 599 161	2489 658 197	2406 491 216
Short-term assets				
Stock	8 690 922	5 827 799	3 320 024	2 299 979
Trade and other receivables	100 676 601	89 963 171	103 718 810	92 930 718
Derivatives	415 241	255 321	415 241	255 321
Prepaid profit tax	2 582 732	214 567	2 442 192	83 652
Cash and cash equivalents	4 126 860	1 561 800	3 887 416	1 048 736
	116 492 356	97 822 658	113 783 683	96 618 406
Long-term assets for sale	461 964	475 885	461 964	475 885
	116 954 320	98 298 543	114 245 647	97 094 291
Total assets	2610 443 495	2508 897 704	2603 903 844	2503 585 507
EQUITY				
Shareholders' capital and reserves				
Share capital	492 404 653	492 404 653	492 404 653	492 404 653
Revaluation reserve	1060 578 059	1166 123 149	1054 024 678	1158 657 074
Legal reserve	49 409 220	49 356 490	49 240 465	49 240 465
Other reserves	160 207 278	61 850 362	158 521 273	60 574 527
Accrued profit	130 770 894	125 586 172	135 679 850	132 415 072
Total equity	1893 370 104	1895 320 826	1889 870 919	1893 291 791
LIABILITIES				
Long-term liabilities				
Loans	95 835 917	80 362 769	95 835 917	80 362 769
Deferred profit tax liabilities	214 915 815	225 799 594	215 002 996	225 917 975
Other long-term liabilities	115 399 470	67 599 583	115 399 470	67 599 583
	426 151 202	373 761 946	426 238 383	373 880 327
Short-term liabilities				
Trade and other payables	237 481 364	168 793 154	237 445 943	169 042 512
Profit tax liabilities	211 225	9 181 741		8 878 846
Loans	53 229 600	61 840 037	50 348 599	58 492 031
	290 922 189	239 814 932	287 794 542	236 413 389
Total liabilities	717 073 391	613 576 878	714 032 925	610 293 716
Total equity and liabilities	2610 443 495	2508 897 704	2603 903 844	2503 585 507

8. Profit and loss account, LTL

	GROUP		COMPANY	
	2007	2006	2007	2006
Revenues	1068 036 743	933 779 159	1070 637 477	933 457 971
Other revenues	869 157	1 234 298	1 577 505	2 286 529
Electricity purchase costs	(456 235 679)	(375 670 479)	(456 235 679)	(375 670 479)
Electricity transmission costs	(159 410 526)	(150 617 312)	(159 410 526)	(150 617 312)
Depreciation and amortisation	(181 980 507)	(174 500 306)	(175 534 683)	(167 809 404)
Remuneration and related social security contributions	(127 114 029)	(107 633 208)	(96 313 192)	(81 176 885)
Repair and maintenance costs	(56 127 338)	(48 820 032)	(79 122 411)	(70 973 382)
Transport costs	(1 166 040)	(710 340)	(14 052 177)	(12 579 399)
Other profit (loss), net value	513 219	269 878	415 038	212 085
Other costs	(42 728 137)	(44 008 137)	(49 797 993)	(44 645 949)
Operating profit	44 656 863	33 323 521	42 163 359	32 483 775
Financial income	259 245	738 903	256 373	738 285
Financial costs	(5 829 947)	(4 123 609)	(5 661 164)	(3 990 029)
Net financial costs	(5 570 702)	(3 384 706)	(5 404 791)	(3 251 744)
Pre-tax profit	39 086 161	29 938 815	36 758 568	29 232 031
Profit tax	(6 553 856)	(5 117 310)	(5 696 413)	(4 689 614)
Annual profit	32 532 305	24 821 505	31 062 155	24 542 417
	GROUP		COMPANY	
	2007 IV quarter	2006 IV quarter	2007 IV quarter	2006 IV quarter
Revenues	303 343 582	259 491 526	303 019 530	258 779 533
Other revenues	192 824	307 404	277 733	346 461
Electricity purchase costs	(119 775 883)	(106 730 205)	(119 775 883)	(106 730 205)
Electricity transmission costs	(44 702 790)	(41 241 052)	(44 702 790)	(41 241 052)
Depreciation and amortisation	(47 979 579)	(44 121 328)	(47 119 152)	(42 243 637)
Remuneration and related social security contributions	(37 038 588)	(32 695 575)	(29 366 857)	(24 957 798)
Repair and maintenance costs	(17 833 105)	(14 862 136)	(18 654 107)	(22 165 849)
Transport costs	(175 447)	(24 822)	(3 676 033)	(3 335 837)
Other profit (loss), net value	229 385	562 598	155 077	561 208
Other costs	(11 923 586)	(13 954 769)	(16 045 226)	(14 215 711)
Operating profit	24 336 813	6 731 641	24 112 292	4 797 113
Financial income	28 794	142 742	25 922	142 124
Financial costs	(1 719 052)	(1 246 461)	(1 682 342)	(1 204 423)
Net financial costs	(1 690 258)	(1 103 719)	(1 656 420)	(1 062 299)
Pre-tax profit	22 646 555	5 627 922	22 455 872	3 734 814
Profit tax	(3 705 615)	(818 960)	(3 406 825)	(813 078)
Annual profit for IV quarter	18 940 940	4 808 962	19 049 047	2 921 736

9. Statement of Changes in Equity, LTL

GROUP	Authorised capital	Revaluation reserve	Legal reserve	Other reserves	Accrued profit	Total equity
Balance as of 1 January 2006	492 404 653	1274 286 873	-	-	138 276 121	1904 967 647
Forwarded depreciation excluding tax – credited directly to equity	-	(108 163 724)	-	-	108 163 724	-
Annual profit	-	-	-	-	24 821 505	24 821 505
Total recognised income and expenditure in for 2006	-	(108 163 724)	-	-	132 985 229	24 821 505
Transferred to reserves	-	-	49 356 490	61 850 362	(111 206 852)	-
Dividends for 2005	-	-	-	-	(34 468 326)	(34 468 326)
Balance as of 31 December 2006	492 404 653	1166 123 149	49 356 490	61 850 362	125 586 172	1895 320 826
Balance as of 1 January 2007	492 404 653	1166 123 149	49 356 490	61 850 362	125 586 172	1895 320 826
Forwarded depreciation excluding tax – credited directly to equity	-	(105 545 090)	-	-	105 545 090	-
Profit in previous year	-	-	-	-	(14 701)	(14 701)
Annual profit	-	-	-	-	32 532 305	32 532 305
Total recognised income and expenditure in for 2007	-	(105 545 090)	-	-	138 062 694	32 517 604
Transferred to reserves	-	-	52 730	98 356 916	(98 409 646)	-
Dividends for 2006	-	-	-	-	(34 468 326)	(34 468 326)
Balance as of 31 December 2007	492 404 653	1060 578 059	49 409 220	160 207 278	130 770 894	1893 370 104

COMPANY	Authorised capital	Revaluation reserve	Legal reserve	Other reserves	Accrued profit	Total equity
Balance as of 1 January 2006	492 404 653	1265 932 393	-	-	144 880 654	1903 217 700
Forwarded depreciation excluding tax – credited directly to equity	-	(107 275 319)	-	-	107 275 319	-
Annual profit	-	-	-	-	24 542 417	24 542 417
Total recognised income and expenditure in for 2006	-	(107 275 319)	-	-	131 817 736	24 542 417
Transferred to reserves	-	-	49 240 465	60 574 527	(109 814 992)	-
Dividends for 2005	-	-	-	-	(34 468 326)	(34 468 326)
Balance as of 31 December 2006	492 404 653	1158 657 074	49 240 465	60 574 527	132 415 072	1893 291 791
Balance as of 1 January 2007	492 404 653	1158 657 074	49 240 465	60 574 527	132 415 072	1893 291 791
Forwarded depreciation excluding tax – credited directly to equity	-	(104 632 396)	-	-	104 632 396	-
Profit in previous year	-	-	-	-	(14 701)	(14 701)
Annual profit	-	-	-	-	31 062 155	31 062 155
Total recognised income and expenditure in for 2007	-	(104 632 396)	-	-	135 679 850	31 047 454
Transferred to reserves	-	-	-	97 946 746	(97 946 746)	-
Dividends for 2006	-	-	-	-	(34 468 326)	(34 468 326)
Balance as of 31 December 2007	492 404 653	1054 024 678	49 240 465	158 521 273	135 679 850	1889 870 919

10. Cash Flow Statement, LTL

	GROUP		COMPANY	
	2007	2006	2007	2006
Operating activities				
Annual profit	32 532 305	24 821 505	31 062 155	24 542 417
Adjustments:				
– Profit tax	6 553 856	5 117 310	5 696 413	4 689 614
– Depreciation and amortisation	182 756 412	174 625 716	175 715 576	167 934 814
– (Profit)/loss from sale of long-term tangible assets	(224 603)	(19 795)	(255 118)	43 235
– Written-off long-term tangible and intangible assets	8 403 639	10 381 743	8 403 639	10 245 050
– Reversal of depreciation of long-term tangible assets	(225 139)	(259 790)	(225 139)	(259 790)
– Depreciation of long-term tangible assets	428 281	229 441	428 281	229 441
– Depreciation of receivables/(reversal)	1 117 307	1 423 721	1 111 599	1 445 932
– Stock depreciation/(reversal)	(272 584)	(553 728)	(357 145)	(833 194)
– Interest income	(415 413)	(902 420)	(710 029)	(1 073 662)
– Interest expense	5 829 118	4 122 875	5 660 334	3 989 300
– Dividend income	-	-	(421 836)	(927 907)
Changes in working capital:				
– stock	(2 859 877)	1 791 770	(932 237)	2 282 512
– trade and other receivables	(13 003 127)	(5 164 600)	(13 606 111)	(5 335 318)
– trade and other payables	97 028 245	47 108 981	96 460 265	50 501 155
Cash flows from operating activities	317 648 420	262 722 729	308 030 647	257 473 599
Interest paid	(5 475 670)	(3 944 286)	(5 306 886)	(3 810 711)
Profit tax paid	(28 040 806)	(35 489 119)	(27 658 479)	(34 263 154)
Net cash flows from operating activities	284 131 944	223 289 324	275 065 282	219 399 734
Investment activities				
Purchases of long-term tangible assets and intangible assets	(259 428 050)	(209 577 253)	(251 996 902)	(200 960 261)
Revenue from sale of long-term tangible and intangible assets	1 049 910	1 173 369	775 587	1 101 083
EU structural fund support received	3 301 878	-	3 301 878	-
Loans extended to subsidiaries	-	-	1 000 000	(2 000 000)
Loans repaid	559 622	715 353	559 622	715 353
Interest received	415 413	902 420	710 029	1 073 662
Dividends received	-	-	421 836	927 907
Net cash flows used in investment activities	(254 101 227)	(206 786 111)	(245 227 950)	(199 142 256)
Financial activities				
Loans received	44 886 400	14 847 040	44 886 400	14 847 040
Loans repaid	(29 413 252)	(12 142 347)	(29 413 252)	(12 142 347)
Dividends paid to shareholders	(34 328 368)	(34 186 211)	(34 328 368)	(34 186 211)
Net cash flows used in financial activities	(18 855 220)	(31 481 518)	(18 855 220)	(31 481 518)
Increase (decrease) in cash and cash equivalents (including overdraft)	11 175 497	(14 978 305)	10 982 112	(11 224 040)
Cash and cash equivalents (including overdraft) at the start of the period	(41 223 385)	(26 245 080)	(38 388 443)	(27 164 403)
Cash and cash equivalents (including overdraft) at the end of the period	(30 047 888)	(41 223 385)	(27 406 331)	(38 388 443)

11. Explanatory note

1. General information

AB Rytų skirstomieji tinklai (further – the Company) is a stock company, registered in the Republic of Lithuania. The Company is registered in the State Register of companies on the 31st December, 2001. The shares of the Company are included into the securities trading list of the Vilnius stock exchange (Lithuania). The address of the Company offices is:

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

On the 30th of September, 2007, two main shareholders of the Company were the Government of the Republic of Lithuania, represented by the Ministry of Economy (further – the Government), possessing 71,35 per cent of the Company shares and the E.ON Ruhrgas International AG” (Germany), possessing 20,28 per cent of the Company shares. The remaining shares belong to various small shareholders.

Main activities of the Company are the supply and distribution of the electric energy. The Company is the public supplier, obliged to provide with the electric energy the inhabitants and companies in the Eastern part of Lithuania, (Vilnius, Panevėžys, Alytus and Utena counties and a part of Kaunas and Marijampolė counties) that have not chosen an independent electric energy supplier. The Company, possessing a medium and low voltage distribution network is the single in the Eastern part of Lithuania.

The Company has been registered after the reorganization of SPAB „Lietuvos energija”. On the basis of the 2000.05.18 Law on the reorganization of the SPAB „Lietuvos energija”, No. VIII-1693, the SPAB „Lietuvos energija” has been reorganized by way of splitting. After the reorganization, certain assets, rights and liabilities of the SPAB „Lietuvos energija”, that continues its activities as a stock company, have been transferred to the newly established companies AB Rytų skirstomieji tinklai, AB „Vakarų skirstomieji tinklai” (the name has been changed to AB „VST”), AB „Lietuvos elektrinė” and SC „Mažeikių elektrinė”.

After the reorganization the AB „Lietuvos energija” continues its activities as the operator of transferring network and the market while the Company and AB „VST” perform the functions of distribution network operators and public suppliers.

The Company's activities are regulated by the Law on the Electric energy of the Republic of Lithuania.

Consolidated group

The Consolidated group (further – the Group) consists of the Company and three its daughter companies. The secondary companies, included into the consolidated financial report of the Group are listed below:

The secondary company	Country of establishment	Year of establishment	Part of the group (per cent)		Nature of the activities
			2007-09-30	2006-12-31	
UAB „Rytra”	Lithuania	2004	100	100	Provides transport services
UAB „Elektros tinklo paslaugos”	Lithuania	2004	100	100	Provides the services of repair and technical maintenance of the electric networks and related equipment
UAB „Tetas”	Lithuania	2005	100	100	Provides the services of electric networks’ design, construction, repair, the services of the connection of users to the electric networks

2. The generalization of main accounting principles

Below there are described main accounting principles, basing on those this financial report is prepared. These principles are consequently applied to all the annual periods if not indicated otherwise.

2.1. The basis of preparation

This financial report of the Company and the Group is based on the International Financial Accounting Standards (IFAS), approved for the application in the European Union.

2.2. Consolidation

The secondary companies – are the companies where the Group can control the financial and activities' policy. Normally, such a control is guaranteed when more than a half of shares giving the voting rights are possessed. During the evaluation, if the Group controls the other enterprise, the existence and the effect of present or converting shares potentially giving the voting right are taken into account. The secondary companies are fully consolidated from the date when the Group acquires the control of these companies and are not consolidated from the date when this control is lost.

2.3. Long term material assets

Long term material assets are accounted by the revaluated price, that is their real price at the day of the revaluation minus the accumulated wear-out and the accumulated losses of the depreciation. The real prices are determined basing on periodical evaluations of independent property evaluators. Any wear-out accumulated on the day of revaluation is eliminated by deducting it from the assets' purchase value and the resulting value is recalculated into the revaluated price.

The increase of the accounting value from the revaluation of long term material assets is recognized in the revaluation reserve at the part of the shareholders' equity. The depreciations that cover the previous increases of the same assets' value, are recognized directly at the part of equity by diminishing the revaluation reserve; all other depreciations are recognized in the profit (loss) statement. Every year, the difference between the wear – out , calculated according to the revaluated accounting price of assets (when the price increases after the revaluation), is recognized in the profit (loss) statement, and the wear-out, calculated according to the primary acquisition self-cost, is transferred from the revaluation reserve to the undistributed profit. When the assets are written-off or sold, all the residual of the value increase after the revaluation is transferred from the revaluation reserve to the undistributed profit.

2.4. Long term immaterial assets

The immaterial assets from that the Group and the Company expect to derive economic benefit in the future are accounted by the self-cost of the acquisition, minus the sums of accumulated amortization and of the losses of the depreciation. The amortization is calculated by applying direct (linear) proportionality method over 3 years of the evaluated period of receiving the economic benefit.

2.5. Financial assets

The Group and the Company for the purposes of the evaluation classifies its financial assets into the following groups: financial assets accounted by the true value through the profit (loss) statement, loans and amounts receivable, investments kept until the buy-out and the financial assets for sale. The classification depends on the purpose of the acquired financial assets, the plans of the management and on the fact if the investments are quoted in the active market. The management determines the classification of financial assets during the time of their first recognition and later reviews the classification on every day of preparing the financial reporting, except for the financial assets accounted by the true value through the profit (loss) statement. Reclassification into or from this category after the primary recognition is forbidden.

2.6. Reserves

The reserves are recognized by the self-cost or the price of possible realization depending on the cost that is lower. The self-cost is determined by the *FIFO* method. The self cost of the reserves comprises the purchase price, taxes (except the taxes that are later returned by the Group and the Company from the tax authorities), transportation, maintenance and other costs, directly attributed to the acquisition of the reserves. The self-cost does not include the borrowing costs. The net realization price is evaluated by the sales price on ordinary business conditions with the deduction of attributable variable sales' costs.

2.7. Trading amounts receivable

At the beginning the amounts receivable are accounted by the true value, and later by the amortized self-cost with the application of calculated interest rates' method, diminished by the sum of depreciation losses. The depreciation of the amounts receivable is recognized when there are objective proofs that the Group or the Company is unable to recover these amounts on the terms set at the beginning. The sum of depreciation is the difference between the assets' accounting value and the present value of the future evaluated cash flows, discounted by applying the calculated interest rate. The accounting value of the assets is diminished by the amount of depreciation and the sum of losses is recognized in the profit (loss) statement. When the trading amount receivable is impossible to recover, it is written off, by diminishing the depreciation amount for the trading amounts receivable. The amounts that have been earlier written off but later have been recovered are accounted in the profit (loss) statement as the income.

2.8. Money and money equivalents

In the cash flow report money and money equivalents comprise cash, deposits on demand at the banks and other short term very liquid investments, the term of those is not longer than three months and the *overdrafts*. The *overdraft* is accounted at the balance in the item short term liability loans.

2.9. Trading and other amounts to be paid

Trading and other amounts to be paid are accumulated when the other side executes its obligations according to the contract and are at the beginning recognized by the true value and later evaluated by the amortized self-cost with the application of the method of calculated interest rate.

2.10. Loans

At the beginning the loans are accounted by the true value with the deduction of the incurred transaction costs. Later the loans are accounted by the amortized self-cost. Any difference resulting between the initially recognized amount and the buy-out value is recognized in the profit (loss) statement during the period of borrowing with the application of the method of calculated interest rates.

The expenses of borrowing are recognized as costs on the period when they are incurred.

2.11. Income

The sales income consists of the true value of the received or receivable remuneration for the goods sold and the services delivered during the time of the Group's and the Company's ordinary activities with the deduction of the value-added tax, returns and discounts, for the Groups' sales – by additionally eliminating the sales inside of the Group.

The sales income is recognized when the amount of the income is possible to be trustfully evaluated and it is probable that the Group and the Company will receive economic use in the future and there are satisfied the certain criteria established for each of the activities of the Group and the Company, as described below. The income amount is not considered as trustfully evaluated until all the uncertainties related to the sales are not solved.

3. Long-term tangible assets, LTL

GROUP	Buildings and structures	Machinery and equipment	Other long-term tangible assets	Construction in process	In total
Year ended 31 December 2007					
Residual value at the start of the period	2062 406 854	214 441 694	67 342 901	55 454 617	2399 646 066
Purchases	2 319 957	2 851 990	13 194 273	247 535 204	265 901 424
Sales	(313 491)	(5 352)	(225 269)	-	(544 112)
Write-offs	(6 801 083)	(1 226 425)	(664 430)	-	(8 691 938)
Reclassification	186 950 080	27 334 445	18 228 430	(232 512 955)	-
Reclassified into long-term assets for sale	222 717	(9 350)	69 891	-	283 258
Reversal of depreciation	-	-	-	225 139	225 139
Depreciation	(28 599)	(276 008)	(123 674)	-	(428 281)
Wear and tear	(146 028 094)	(18 209 347)	(16 237 031)	-	(180 474 472)
Residual value at the end of the period	2098 728 341	224 901 647	81 585 091	70 702 005	2475 917 084

Company	Buildings and structures	Machinery and equipment	Other long-term tangible assets	Construction in process	In total
Year ended 31 December 2007					
Residual value at the start of the period	2042 765 490	212 530 443	48 635 458	55 454 618	2359 386 009
Purchases	2 283 348	2 197 849	6 563 588	247 432 023	258 476 809
Sales	(313 491)	(5 352)	(201 625)	-	(520 469)
Write-offs	(6 800 488)	(1 222 718)	(380 434)	-	(8 403 639)
Reclassification	186 950 079	27 334 437	18 228 439	(232 512 955)	-
Reclassified into long-term assets for sale	222 717	(9 350)	69 891	-	283 258

Reversal of depreciation	-	-	-	225 139	225 139
Depreciation	(28 599)	(276 008)	(123 674)	-	(428 281)
Wear and tear	(145 002 711)	(17 791 312)	(10 640 701)	-	(173 434 724)
Residual value at the end of the period	2080 076 346	222 757 989	62 150 942	70 598 825	2435 584 102

4. Long-term intangible assets, LTL

GROUP	Software, licences	Other assets	In total
Year ended 31 December 2007			
Residual value at the start of the period	2 743 034	136 255	2 879 289
Purchases	10 103 302		10 103 302
Sales			
Write-offs			
Amortisation	(2 202 077)	(79 860)	(2 281 937)
Residual value at the end of the period	10 644 259	56 395	10 700 654

COMPANY	Software, licences	Other assets	In total
Year ended 31 December 2007			
Residual value at the start of the period	2 743 034	136 255	2 879 289
Purchases	10 096 419		10 096 419
Sales			
Write-offs			
Amortisation	(2 200 992)	(79 860)	(2 280 852)
Residual value at the end of the period	10 638 461	56 395	10 694 856

5. Long-term receivables and prepayments, LTL

	GROUP		COMPANY	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006
Trade receivables	-	15 104	-	15 104
Less the cost of depreciation of receivables	-	(15 104)	-	(15 104)
Net trade receivables	-	-	-	-
Prepayments for long-term tangible and intangible assets	3 565 233	4 193 790	3 565 233	4 193 790
Loans extended	3 171 006	3 389 128	3 171 006	3 389 128
	6 736 239	7 582 918	6 736 239	7 582 918

6. Stock, LTL

	GROUP		COMPANY	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006
Materials and spare parts	5 987 376	4 143 104	1 027 953	1 093 298
Electricity meters	2 183 998	882 439	2 179 615	876 963
Fuel	246 931	252 713	6 064	6 295
Other	272 617	549 543	106 392	323 423
	8 690 922	5 827 799	3 320 024	2 299 979

7. Trade and other receivables, LTL

	GROUP		COMPANY	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006
Trade receivables	98 701 656	84 690 590	97 618 415	84 102 154
Less the cost of depreciation of receivables	(11 648 540)	(11 025 496)	(11 611 403)	(11 006 942)
Net trade receivables	87 053 116	73 665 094	86 007 012	73 095 212
Receivables from subsidiaries	-	-	1 273 237	272 046
Loans extended to subsidiaries	-	-	3 000 000	4 000 000
Net receivables from state-run companies	940 696	1 990 794	940 696	1 408 181
Mortgages repayable in the current year	369 694	387 132	369 694	387 132
Prepaid and recoverable taxes except profit tax	379 763	3 011 025	379 302	3 011 025
Accrued income from electricity sales	8 859 490	8 580 111	8 859 490	8 580 111
Accrued income and deferred charges	1 576 880	244 247	1 487 204	175 670
Other receivables	1 496 962	2 084 768	1 402 175	2 001 341
	100 676 601	89 963 171	103 718 810	92 930 718

8. Cash and cash equivalents, LTL

	GROUP		COMPANY	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006
Cash in bank	3 531 647	589 516	3 497 851	106 452
Cash in hand	116 785	51 884	116 785	51 884
Cash in transit	478 428	920 400	272 780	890 400
	4 126 860	1 561 800	3 887 416	1 048 736

Cash, cash equivalents and overdraft in Cash Flow Statement include the following:

	GROUP		COMPANY	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006
Cash and cash equivalents	4 126 860	1 561 800	3 887 416	1 048 736
Overdraft	(34 174 748)	(42 785 185)	(31 293 747)	(39 437 179)
	(30 047 888)	(41 223 385)	(27 406 331)	(38 388 443)

9. Other long-term liabilities, LTL

	GROUP		COMPANY	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006
Deferred income from customer connection fees	102 387 645	61 654 560	102 387 645	61 654 560
Financial grants and subsidies	10 760 683	3 908 130	10 760 683	3 908 130
Long-term payments to staff	1 106 059	918 362	1 106 059	918 362
Payables for electricity distribution equipment bought	1 145 083	1 118 531	1 145 083	1 118 531
	115 399 470	67 599 583	115 399 470	67 599 583

10. Trade and other payables, LTL

	GROUP		COMPANY	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006
Trade payables	143 618 779	115 573 561	135 210 502	108 149 542
Payables to subsidiaries	-	-	11 794 503	10 965 814
Payables to state-run companies	20 040 143	58 768	20 040 143	58 768
Advance payments received	58 223 869	39 691 266	58 208 521	39 685 259
Deferred income from customer connection fees	3 590 862	2 382 909	3 590 862	2 382 909
Accruals and deferred income	6 725 634	5 227 013	5 101 692	4 028 091
Taxes except profit tax	861 487	2 116 674	63 443	907 421
Social security contributions	3 799 798	3 266 303	2 819 643	2 392 387
Other short-term liabilities	620 792	476 660	616 634	472 321
	237 481 364	168 793 154	237 445 943	169 042 512

11. Loans, LTL

	GROUP		COMPANY	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006
Long-term				
Bank loans	95 835 917	80 362 769	95 835 917	80 362 769
Short-term				
Overdraft	34 174 748	42 785 185	31 293 747	39 437 179
Bank loans	19 054 852	19 054 852	19 054 852	19 054 852
	53 229 600	61 840 037	50 348 599	58 492 031
	149 065 517	142 202 806	146 184 516	138 854 800

12. Sales revenues

Sales revenues are revenues from electricity sales.

IV. LATEST AND ESSENTIAL EVENTS IN THE ISSUER'S ACTIVITIES

12. Essential events in the issuer's activities

In 2007, the Company issued the following reports on essential events:

- 23-02-2007** The Company's Board decides to apply to the Vilnius Stock Exchange (VSE) for inclusion in the Official List of VSE.
- 27-02-2007** Preliminary non-consolidated operating results of Rytų Skirstomieji Tinklai AB for 2006.
- 16-03-2007** Submission of an application for inclusion in the Official List of VSE.
- 21-03-2007** On convening a General Meeting.
- 13-04-2007** On draft decisions of the General Meeting and profit appropriation.
- 25-04-2007** Decisions made at the General Meeting.
- 02-05-2007** Consolidated operating results of Rytų Skirstomieji Tinklai AB for the first quarter of 2007.
- 15-05-2007** On the management of personal securities accounts and signing of a dividend payment agreement with SEB Vilniaus Bankas.
- 16-05-2007** On registration of a new version of the Articles of Association of Rytų Skirstomieji Tinklai AB.
- 30-07-2007** Consolidated operating results of Rytų Skirstomieji Tinklai AB for the first half of 2007.
- 31-10-2007** Consolidated operating results of Rytų Skirstomieji Tinklai AB for three quarters of 2007.
- 31-10-2007** On a ceiling on electricity prices for 2008 approved by the State Prices and Energy Control Commission.
- 08-11-2007** On submission of the schedule of electricity tariffs for 2008 to the State Prices and Energy Control Commission for verification and announcement.
- 29-11-2007** On submission of a new schedule of electricity tariffs for 2008 to the State Prices and Energy Control Commission for verification and announcement.
- 30-11-2007** On approval of the new schedule of electricity prices and tariffs coming into effect on 1 January 2008 by the State Prices and Energy Control Commission. .

In 2008, the Company issued the following reports on essential events:

- 23-01-2008** On the 23 January 2008 decision of the Board of Rytų Skirstomieji Tinklai AB to extend exemptions for farmers in 2008 at the company's expense.
- 04-02-2008** On the Law Amending and Supplementing Articles 8, 10, 11 and 20 of the Law on Nuclear Power Plant.
- 13-02-2008** On the signing of the Law Amending and Supplementing Articles 8, 10, 11 and 20 of the Law on Nuclear Power Plant.
- 26-02-2008** Preliminary non-consolidated operating results of Rytų Skirstomieji Tinklai Group for 2007.