



RYTŲ SKIRSTOMIEJI TINKLAI

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

2008-05-30 No. 10430-493

#### 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, Director General of Rytų skirstomieji tinklai AB, and, Arvydas Zakalskis, Finance Director, hereby do confirm that, to the best of our knowledge, the Interim Consolidated Report for the First Quarter of 2008 of Rytų skirstomieji tinklai AB, includes a fair review of the development and performance of the business.

ENCLOSURE: 2008 First Quarter Report of Rytų skirstomieji tinklai AB.

Director General

A handwritten signature in green ink, appearing to read 'Rimantas Milišauskas', written over a horizontal line.

Rimantas Milišauskas

Finance Director

A handwritten signature in purple ink, appearing to read 'Arvydas Zakalskis', written over a horizontal line.

Arvydas Zakalskis

Artur Grigorian, tel. 251 26 38

# 2008 First Quarter Report of Rytų Skirstomieji Tinklai AB

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30 May 2008

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## TABLE OF CONTENTS

<b>I. GENERAL PROVISIONS</b>	<b>3</b>
1. Reporting period covered by the report	3
2. Key data on the issuer	3
3. Information on where and when one can get acquainted with the report and documents on the basis of which it has been prepared, and the means of mass media	3
4. Persons responsible for the information provided in the report	3
<b>II. INFORMATION ON THE ISSUER'S AUTHORISED CAPITAL, SECURITIES ISSUED AND MEMBERS OF MANAGEMENT BODIES</b>	<b>4</b>
5. Shareholders	4
6. Members of management bodies	4
<b>III. FINANCIAL STATUS</b>	<b>6</b>
7. Balance sheet, LTL	6
8. Profit and loss account, LTL	6
9. Statement of changes in equity, LTL	8
10. Cash flow statement, Lt	10
11. Explanatory note	11
<b>IV. MOST RECENT AND ESSENTIAL EVENTS IN THE ISSUER'S ACTIVITIES</b>	<b>18</b>
12. Essential events in the issuer's activities	18

## I. GENERAL PROVISIONS

### 1. Reporting period covered by the report

The report covers the first quarter of 2008.

### 2. Key data on the issuer

Company name	Akcinė bendrovė Rytų Skirstomieji Tinklai
Code	1108 70890
Authorised capital	LTL 492 404 653
Address	P. Lukšio g. 5B, LT-08221 Vilnius
Telephone	(8~5) 277 75 24
Fax	(8~5) 277 75 14
E-mail	<a href="mailto:info@rst.lt">info@rst.lt</a>
Website	<a href="http://www.rst.lt">www.rst.lt</a>
Legal and organisational form	Public limited liability company, private legal person with limited civil liability
Date and place of registration	31 December, 2001, Ministry of Economy of the Republic of Lithuania
Register in which data on the company is collected in and stored	Register of Legal Entities
Register manager	Legal Entity Registration Office of the Vilnius branch of Public Enterprise Centre of Registers

### 3. Information on where and when one can get acquainted with the report and documents on the basis of which it has been prepared, and the means of mass media

This report and other documents based on which it has been prepared are available at the company's registered office at P. Lukšio g. 5B, Vilnius, office No.108 on business days from 7.30 a.m. to 11.30 a.m. and from 12.30 p.m. to 16.30 p.m.

Rytų Skirstomieji Tinklai AB provides information to the public via the following mass media: daily newspapers Lietuvos Rytas and Respublika, Lithuanian telegram agency ELTA and news agency BNS.

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

4.1. Members of the issuer's management bodies, employees and administration manager responsible for the report

Rimantas Milišauskas, Chief Executive Officer, tel. (8~5) 251 26 50, fax (8~5) 277 75 14

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

Artur Grigorian, Senior Specialist of the Assets Management Division, (8~5) 251 26 38, fax (8~5) 277 75 14

Date of signing the report – 30 May 2008

Place of preparation of the report – Rytų Skirstomieji Tinklai AB (P. Lukšio g. 5B, Vilnius)

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

### 5. Shareholders

On 31 March 2008, the number of shareholders of Rytų Skirstomieji Tinklai AB totalled 6,339.

**Table 5.1 Authorised capital structure of Rytų Skirstomieji Tinklai AB.**

Type of shares	Number of shares	Nominal value (LTL)	Total nominal value (LTL)	Share in authorised capital (%)
Ordinary registered shares	492 404 653	1	492 404 653	100.00

**Table 5.2 Shareholders who owned more than 5% of the issuer's authorised capital on 31 March 2008.**

First name, surname of shareholder (company name, type, registered office, address, code)	Number of ordinary registered shares owned by shareholder	Share of authorised capital held (%)	Percentage of votes granted by shares owned	Percentage of votes held in concert with other persons
The State represented by the Ministry of Economy of the Republic of Lithuania, Gedimino pr. 38/2, Vilnius 1886 21919	351 316 161	71.35	71.35	----
E.ON Ruhrgas International AG, Huttropstrasse 60, Essen, Germany HRB No 10974	99 845 392	20.28	20.28	----

### 6. Members of management bodies

6.1. Positions, first names and surnames, data on the share of the issuer's authorised capital held

**Table 6.1.1 Members of management bodies of Rytų Skirstomieji Tinklai AB**

First name, surname	Position	Share of authorised capital held (%)	Percentage of votes
<b>Supervisory Board</b>			
Anicetas Ignotas	Chairman	-	-
Mario Nullmeier	Member	-	-
Saulius Spėčius	Member	-	-
Aušra Pažėraitė	Member	-	-
Nijolė Bujauskienė	Member	-	-
<b>Board</b>			
Jonas Rimantas Kazlauskas	Chairman	-	-
Rimantas Milišauskas	Member	-	-
Nijolė Sabonienė	Member	-	-
Algimantas Zaremba	Member	-	-
<b>Administration</b>			
Rimantas Milišauskas	Chief Executive Officer	-	-
Valdas Bancevičius	Electricity Network Director	0.00008	0.00008
Saulius Kasparavičius	Electricity Supply Director	-	-
Arvydas Zakalskis	Chief Financial Officer	0.001	0.001
Rolandas Baškys	Procurement and Logistics Director	-	-
Rimantas Aliukonis	Law and Personnel Director	-	-
Antosė Muliuolienė	Chief Accountant	0.000002	0.000002

6.2. Data on the involvement in the activities of other companies, institutions and organisations (name of the company, institution or organisation, position), more than 5% of companies' capital and votes held.

**Table 6.2.1 Involvement in the activities of other companies, institutions and organisations**

First name, surname	Name of organisation, position	Percentage of other companies' capital and votes
<b>Supervisory Board</b>		
Anicetas Ignotas	Undersecretary of the Ministry of Economy of the Republic of Lithuania	-
	Chairman of the Supervisory Board of Lietuvos Energija AB	-
	Member of the Supervisory Board of Kauno Energija AB	-
Mario Nullmeier	Head of the Baltic office of E.ON Ruhrgas International (ERI) AG	-
Saulius Spėčius	Adviser to the Prime Minister of the Republic of Lithuania	-
	Member of the Board of Klaipėdos Nafta AB	-
	Member of the Supervisory Board of Lietuvos Energija AB	-
	Member of the Supervisory Board of Lietuvos Elektrinės AB	-
Aušra Pažėraitė	Research Associate of the Lithuanian Energy Institute	-
Nijolė Bujauskienė	Chief Specialist at the State Property Privatisation Division of the Company Law and Privatisation Department of the Ministry of Economy of the Republic of Lithuania	-
	Member of the Supervisory Board of Lietuvos Energija AB	-
	Member of the Supervisory Board of Lietuvos Elektrinė AB	-
<b>Board</b>		
Jonas Rimantas Kazlauskas	Deputy Director of public enterprise Energy Agency	-
Nijolė Sabonienė	Expert of the Share Management Division of public enterprise State Property Fund	-
	Member of the Board of Gargždų Mida UAB	-
Algimantas Zaremba	Director of the Energy Department of the Ministry of Economy of the Republic of Lithuania	-
	Member of the Board of Lietuvos Energija AB	-
<b>Administration</b>		
Rimantas Milišauskas	-	-
Valdas Bancevičius	Chairman of the Board of Elektros Tinklo Paslaugos UAB	-
	Chairman of the Board of Tetras UAB	-
Saulius Kasparavičius	-	-
Arvydas Zakalskis	-	-
Rolandas Baškys	Chairman of the Board of Rytra UAB	-
Rimantas Aliukonis	Member of the Board of Elektros Tinklo Paslaugos UAB	-
Antosė Muliuolienė	-	-

### III. FINANCIAL STATUS

Since 1 January 2005, Rytų Skirstomieji Tinklai AB accounting has been done in accordance with International Accounting Standards. The company's financial accounts provided in this section have been prepared according to International Financial Reporting Standards. The company's financial accounts as of 31 December 2007 have been checked by auditors.

#### 7. Balance sheet, LTL

	GROUP		COMPANY	
	31-03-2008	31-12-2007	31-03-2008	31-12-2007
<b>ASSETS</b>				
<b>Long-term assets</b>				
Long-term tangible assets	3506 652 929	3528 584 468	3467 322 238	3488 251 486
Intangible assets	10 540 140	10 700 654	10 534 818	10 694 856
Investments in subsidiaries	-	-	36 643 000	36 643 000
Deferred income tax assets	50 250	62 623	-	-
Long-term receivables and prepayments	5 740 555	6 736 239	5 740 555	6 736 239
	<b>3522 983 874</b>	<b>3546 083 984</b>	<b>3520 240 611</b>	<b>3542 325 581</b>
<b>Short-term assets</b>				
Inventories	9 038 000	8 690 922	2 681 139	3 320 024
Trade and other receivables	124 000 674	100 676 636	125 293 793	103 718 811
Derivative financial instruments	277 764	415 241	277 764	415 241
Prepaid income tax	651 023	2 583 332	519 176	2 442 192
Cash and cash equivalents	1 256 403	4 126 860	802 350	3 887 416
	<b>135 223 864</b>	<b>116 492 991</b>	<b>129 574 222</b>	<b>113 783 684</b>
Long-term assets intended for sale	256 048	461 964	256 048	461 964
	<b>135 479 912</b>	<b>116 954 955</b>	<b>129 830 270</b>	<b>114 245 648</b>
<b>Total assets</b>	<b>3658 463 786</b>	<b>3663 038 939</b>	<b>3650 070 881</b>	<b>3656 571 229</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	492 404 653	492 404 653	492 404 653	492 404 653
Revaluation reserve	1870 046 624	1913 340 243	1863 493 243	1906 786 862
Legal reserve	49 516 408	49 409 220	49 240 465	49 240 465
Other reserves	161 171 064	160 207 278	158 521 273	158 521 273
Accrued income	225 503 760	170 091 977	233 323 474	174 997 519
<b>Total equity</b>	<b>2798 642 509</b>	<b>2785 453 371</b>	<b>2796 983 108</b>	<b>2781 950 772</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Borrowings	109 647 117	95 835 917	109 647 117	95 835 917
Deferred income tax liability	365 547 584	372 269 097	365 694 627	372 428 853
Other long-term liabilities	131 515 407	118 561 145	131 515 407	118 561 145
	<b>606 710 108</b>	<b>586 666 159</b>	<b>606 857 151</b>	<b>586 825 915</b>
<b>Short-term liabilities</b>				
Trade and other payables	189 560 554	237 481 584	185 542 434	237 445 943
Income tax liabilities	2 974 001	208 225	2 898 564	-
Borrowings	60 576 614	53 229 600	57 789 624	50 348 599
	<b>253 111 169</b>	<b>290 919 409</b>	<b>246 230 622</b>	<b>287 794 542</b>
<b>Total liabilities</b>	<b>859 821 277</b>	<b>877 585 568</b>	<b>853 087 773</b>	<b>874 620 457</b>
<b>Total equity and liabilities</b>	<b>3658 463 786</b>	<b>3663 038 939</b>	<b>3650 070 881</b>	<b>3656 571 229</b>

## 8. Profit and loss account, LTL

	GROUP		COMPANY	
	31-03-2008	31-03-2007	31-03-2008	31-03-2007
Revenues	329 042 949	283 528 766	329 556 734	285 193 088
Other income	196 983	254 178	1 104 104	299 256
Electricity purchases	(136 380 689)	(119 101 455)	(136 380 689)	(119 101 455)
Electricity transmission costs	(46 285 304)	(43 614 966)	(46 285 304)	(43 614 966)
Depreciation and amortisation	(71 208 499)	(43 444 935)	(69 622 343)	(41 567 606)
Remuneration and related social security contributions	(35 349 363)	(30 851 337)	(25 930 291)	(22 386 458)
Repair and maintenance costs	(13 129 299)	(12 337 368)	(19 836 896)	(19 169 142)
Transport costs	( 304 726)	( 183 415)	(3 837 691)	(3 337 644)
Other profit (loss), net value	( 105 740)	( 194 848)	( 105 740)	( 99 941)
Other costs	(8 990 310)	(9 111 131)	(9 387 624)	(10 413 626)
<b>Operating profit</b>	<b>17 486 002</b>	<b>24 943 489</b>	<b>19 274 260</b>	<b>25 801 506</b>
Revenue from financial activities	27 099	90 898	26 245	88 563
Costs of financial activities	(1 781 885)	(1 252 516)	(1 751 122)	(1 223 421)
<b>Costs of financial activities (net value)</b>	<b>(1 754 786)</b>	<b>(1 161 618)</b>	<b>(1 724 877)</b>	<b>(1 134 858)</b>
Pre-tax profit	15 731 216	23 781 871	17 549 383	24 666 648
Income tax	(2 644 376)	(4 657 271)	(2 619 345)	(4 592 907)
<b>Annual profit</b>	<b>13 086 840</b>	<b>19 124 600</b>	<b>14 930 038</b>	<b>20 073 741</b>



## 9. Statement of changes in equity, LTL

GROUP	Authorised capital	Revaluation reserve	Legal reserve	Other reserves	Accrued income	Total equity
<b>Balance as at 31 December 2006</b>	<b>492 404 653</b>	<b>1166 123 149</b>	<b>49 356 490</b>	<b>61 850 362</b>	<b>123 119 404</b>	<b>1892 854 058</b>
Decrease in long-term tangible assets revaluation reserve	-	(24 726 767)	-	-	24 726 767	-
Profit for the reporting period	-	-	-	-	19 124 600	19 124 600
<b>Balance as at 31 March 2007</b>	<b>492 404 653</b>	<b>1141 396 382</b>	<b>49 356 490</b>	<b>61 850 362</b>	<b>166 970 771</b>	<b>1911 978 658</b>
Decrease in long-term tangible assets revaluation reserve	-	(80 818 322)	-	-	80 818 322	-
Revaluation of long-term tangible assets	-	1003 249 627	-	-	-	1003 249 627
Deferred income tax liability as a result of revaluation of long-term tangible assets	-	(150 487 444)	-	-	-	(150487 444)
Transfers to reserves	-	-	52 730	98 356 916	(98 409 646)	-
Dividends for 2006	-	-	-	-	(34 468 326)	(34 468 326)
Profit for the reporting period	-	-	-	-	55 180 856	55 180 856
<b>Balance as at 31 December 2007</b>	<b>492 404 653</b>	<b>1913 340 243</b>	<b>49 409 220</b>	<b>160 207 278</b>	<b>170 091 977</b>	<b>2785 453 371</b>
Decrease in long-term tangible assets revaluation reserve	-	(43 293 619)	-	-	43 395 917	102 298
Transfers to reserves	-	-	107 188	963 786	(1 070 974)	-
Profit for the reporting period	-	-	-	-	13 086 840	13 086 840
<b>Balance as at 31 March 2008</b>	<b>492 404 653</b>	<b>1870 046 624</b>	<b>49 516 408</b>	<b>161 171 064</b>	<b>225 503 760</b>	<b>2798 642 509</b>

COMPANY	Authorised capital	Revaluation reserve	Legal reserve	Other reserves	Accrued income	Total Equity
<b>Balance as at 31 December 2006</b>	<b>492 404 653</b>	<b>1158 657 074</b>	<b>49 240 465</b>	<b>60 574 527</b>	<b>129 948 304</b>	<b>1890 825 023</b>
Decrease in long-term tangible assets revaluation reserve	-	(24 726 767)	-	-	24 726 767	-
Profit for the reporting period	-	-	-	-	20 073 741	20 073 741
<b>Balance as at 31 March 2007</b>	<b>492 404 653</b>	<b>1133 930 307</b>	<b>49 240 465</b>	<b>60 574 527</b>	<b>174 748 812</b>	<b>1910 898 764</b>
Decrease in long-term tangible assets revaluation reserve	-	(79 905 628)	-	-	79 905 628	-
Revaluation of long-term tangible assets	-	1003 249 627	-	-	-	1003 249 627
Deferred income tax liability as a result of revaluation of long-term tangible assets	-	(150 487 444)	-	-	-	(150487 444)
Transfers to reserves	-	-	-	97 946 746	(97 946 746)	-
Dividends for 2006	-	-	-	-	(34 468 326)	(34 468 326)
Profit for the reporting period	-	-	-	-	52 758 151	52 758 151
<b>Balance as at 31 December 2007</b>	<b>492 404 653</b>	<b>1906 786 862</b>	<b>49 240 465</b>	<b>158 521 273</b>	<b>174 997 519</b>	<b>2781 950 772</b>
Decrease in long-term tangible assets revaluation reserve	-	(43 293 619)	-	-	43 395 917	102 298
Transfers to reserves	-	-	-	-	14 930 038	14 930 038
Profit for the reporting period	<b>492 404 653</b>	<b>1863 493 243</b>	<b>49 240 465</b>	<b>158 521 273</b>	<b>233 323 474</b>	<b>2796 983 108</b>
<b>Balance as at 31 March 2008</b>	<b>492 404 653</b>	<b>1870 046 624</b>	<b>49 516 408</b>	<b>161 171 064</b>	<b>225 503 760</b>	<b>2798 642 509</b>

**10. Cash flow statement, LTL**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31-03-2008</b>	<b>31-03-2007</b>	<b>31-03-2008</b>	<b>31-03-2007</b>
<b>Operating activities</b>				
Annual profit	13 086 840	19 124 600	14 930 038	20 073 741
Adjustments:				
– Income tax	2 644 376	4 657 271	2 619 345	4 592 907
– Depreciation and amortisation	71 334 123	43 522 225	69 747 966	41 599 804
– Loss of sold and written-off assets	905 754	1 893 358	905 178	1 889 323
– Reversal of depreciation of long-term tangible assets	233 086	( 168 665)	233 086	( 168 665)
– Depreciation of receivables/(reversal)	27 179	-	19 195	-
– Inventory depreciation/(reversal)	( 77 623)	143 224	( 27 903)	-
– Interest income	( 41 176)	( 191 539)	( 95 366)	( 240 923)
– Interest expenses	1 769 059	1 240 398	1 750 684	1 211 304
– Dividend income	-	-	( 857 505)	-
Changes in working capital:				
– inventories	( 303 143)	(4 210 819)	633 098	(2 436 652)
– trade and other receivables	(18 694 156)	(3 755 963)	(20 605 801)	(7 870 605)
– trade and other payables	(25 448 833)	6 657 287	(24 680 391)	7 687 412
Cash flows from operating activities	45 435 486	68 911 377	44 571 624	66 337 646
Interest paid	(2 178 166)	(1 427 635)	(2 159 791)	(1 398 541)
Income tax paid	(4 648 824)	( 8 705)	(4 525 385)	-
Net cash flows from operating activities	38 608 496	67 475 037	37 886 448	64 939 105
<b>Investment activities</b>				
Purchases of long-term tangible assets and intangible assets	(62 685 127)	(37 692 687)	(62 325 889)	(34 747 779)
Loans extended to subsidiaries	-	-	-	(1 000 000)
Loan repayments received	26 784	80 161	26 784	80 161
Interest received	41 176	191 539	95 366	240 923
Net cash flows used in investment activities	(62 617 167)	(37 420 987)	(62 203 739)	(35 426 695)
<b>Financing activities</b>				
Loans received	24 169 600	-	24 169 600	-
Loans repaid	(13 811 200)	-	(13 811 200)	-
Dividends paid to Company shareholders	( 20 000)	( 86 675)	( 20 000)	( 86 675)
Net cash flows used in financing activities	10 338 400	( 86 675)	10 338 400	( 86 675)
<b>Increase (decrease) in cash and cash equivalents (including overdraft)</b>	(13 670 271)	29 967 375	(13 978 891)	29 425 735
Cash and cash equivalents (including overdraft) at the start of the period	(30 047 888)	(41 223 385)	(27 406 331)	(38 388 443)
<b>Cash and cash equivalents (including overdraft) at the end of the period</b>	(43 718 159)	(11 256 010)	(41 385 222)	(8 962 708)

## 11. Explanatory note

### 1. General information

Rytų Skirstomieji Tinklai AB (hereinafter referred to as Company) is a public limited liability company registered in the Republic of Lithuania. The Company was registered in the State Register of Enterprises on 31 December 2001. The Company's shares are listed on the Official List of Vilnius Stock Exchange. The Company's registered office is at:

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

On 30 September 2007, the Company's two main shareholders were the Government of the Republic of Lithuania represented by the Ministry of Economy of the Republic of Lithuania (hereinafter referred to as Government), which held a 71.35% stake in the Company, and E.ON Ruhrgas International AG (Germany) which had 20.28% of the Company's shares. The remaining shares are controlled by various minority shareholders.

The Company's main activities are electricity supply and distribution. The Company is a public supplier responsible for supplying electricity to the residents and enterprises in the eastern part of Lithuania (Vilnius, Panevėžys, Alytus and Utena counties as well as part of Kaunas and Marijampolė counties) that have not chosen an independent electricity supplier. The Company, the operator of a low and medium voltage distribution network, is the only company providing electricity distribution services in the eastern part of Lithuania.

The Company was registered upon reorganisation of Lietuvos Energija SPAB. Under the Law on Reorganisation Lietuvos Energija SPAB No. VIII-1693 of 18 May 2000, Lietuvos Energija SPAB was reorganised through disintegration. Following the reorganisation, certain assets, rights and liabilities of Lietuvos Energija SPAB, which continued its activities as a public limited liability company after the reorganisation, were transferred to newly established companies Rytų Skirstomieji Tinklai AB, Vakarų Skirstomieji Tinklai AB (the company has been renamed VST AB), Lietuvos Elektrinė AB and Mažeikių Elektrinė AB.

After the reorganisation, Lietuvos Energija AB continues its activities as a transmission network and market operator, while the Company and VST AB perform the functions of distribution network operators and public suppliers.

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

#### *Consolidated group*

The consolidated group (hereinafter referred to as Group) is comprised of the Company and its three subsidiaries. The subsidiaries included in the Group's consolidated financial statements are listed below:

Subsidiary	Country of incorporation	Year of establishment	Group's share (%)		Activities
			31-03-2008	31-12-2007	
Rytra UAB	Lithuania	2004	100	100	Provides transport services
Elektros Tinklo Paslaugos UAB	Lithuania	2004	100	100	Provides electricity network and related equipment repair and maintenance services
Tetas UAB	Lithuania	2005	100	100	Provides electricity network design, construction, repair and maintenance services, customer connection to power grids services

### 2. Summary of key accounting principles

The key accounting principles applied in the preparation of these financial statements are described below. These principles are consistently applied to all the annual periods presented, unless otherwise specified.

#### 2.1. Basis of preparation

These financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) approved for application by the European Union.

#### 2.2. Consolidation

Subsidiaries are companies whose financial and operating policies are under the Group's control. Such control is usually ensured by a shareholding of more than 50% of the voting shares. The existence and effect of existing or convertible potential voting shares are considered when assessing whether the Group controls another company. Subsidiaries are

fully consolidated from the date on which the Group gains control of these companies and are deconsolidated from the date on which the control is lost.

### **2.3. Long-term tangible assets**

Long-term tangible assets are stated at a revalued amount being its fair value on the day of revaluation, less accumulated depreciation and accumulated impairment losses. Fair values are determined based on periodic valuations by independent valuers. Any accumulated depreciation on the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the assets.

Increases in the carrying amount arising on revaluation of long-term tangible assets are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset (when increased on revaluation) charged to the income statement and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings. The whole of the revaluation surplus is transferred from revaluation reserve to retained earnings when the asset is retired or disposed of.

### **2.4. Long-term intangible assets**

Intangible assets expected to provide economic benefit to the Group and the Company in future are valued at acquisition cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated based on the straight-line method over an estimated benefit period of 3 years.

### **2.5. Financial assets**

For measurement purposes, the Group and the Company classify their financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets have been acquired, management intentions and whether or not the investment is quoted on an active market. Management determines the classification of their financial assets at initial recognition and re-evaluates this designation at every reporting date, except for financial assets at fair value through profit or loss. Reclassification out of or into this category after initial recognition is prohibited.

### **2.6. Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group and the Company from the tax authorities), transport, handling and other costs directly attributable to the acquisition of inventories. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### **2.7. Trade receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group or the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against in the income statement.

### **2.8. Cash and cash equivalents**

In the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### **2.9. Trade and other payables**

Trade and other payables are accrued when the counterparty performs its obligations under the contract, and are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

### **2.10. Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the amount at initial recognition and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Borrowing costs are recognised as an expense in the period in which they are incurred.

## 2.11. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's or the Company's activities, net of value-added tax, returns, rebates and discounts, and the Group's revenues – after additionally eliminating sales within the Group.

Revenue is recognised when the amount of revenue can be reliably measured, the Group and the Company are likely to derive economic benefit in future, and specific criteria have been met for each of the Group's or the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

## 3. Long-term tangible assets

GROUP	Buildings	Structures and power grids	Machinery and equipment	Other long-term tangible assets	Constructi on in progress	Total
<b>1 January 2008</b>						
Cost or revaluation	304 498 609	3778 362 964	473 681 081	178 930 385	71 237 370	4806 710 409
Impairment	(81 329 603)	(988 700 693)	(141 063 596)	(66 496 683)	( 535 366)	(1 278125941)
Net book value	223 169 006	2789 662 271	332 617 485	112 433 702	70 702 004	3528 584 468
<b>31 March 2008 at the end of the month</b>						
Opening net book value	223 169 006	2789 662 271	332 617 485	112 433 702	70 702 004	3528 584 468
Additions	44 108	596 707	367 397	3 493 100	44 606 803	49 108 115
Disposals	( 11 395)					( 11 395)
Retirements	( 9 123)	( 634 045)	( 251 158)	( 33)		( 894 359)
Reclassification	683 203	26 842 197	3 785 961	757 130	(32 068 491)	-
Reclassification into long-term assets held for sale	400		239 206			239 606
Reversal of impairment provision	32 957		34 057		7 391	74 405
Impairment charge				( 307 491)		( 307 491)
Depreciation	(4 055 339)	(51 412 867)	( 8 132 311)	(6 539 903)		(70 140 420)
Closing net book value	219 853 817	2765 054 263	328 660 637	109 836 505	83 247 707	3506 652 929
<b>31 March 2008</b>						
Cost or revaluation	301 307 928	3483 729 424	450 826 607	182 368 805	83 775 682	4502 008 446
Accumulated depreciation and impairment	(81 454 111)	(718 675 161)	(122 165 970)	(72 532 300)	( 527 975)	(995 355 517)
Net book value	219 853 817	2765 054 263	328 660 637	109 836 505	83 247 707	3506 652 929

COMPANY	Buildings	Structures and power grids	Machinery and equipment	Other long-term tangible assets	Construction in progress	Total
<b>1 January 2008</b>						
Cost or revaluation	286 782 975	3775 548 224	470 614 595	144 486 610	71 134 191	4748 566 595
Impairment	(79 741 887)	(988 410 031)	(140 140 768)	(51 487 057)	( 535 366)	(1 260315109)
Net book value	207 041 088	2787 138 193	330 473 827	92 999 553	70 598 825	3488 251 486
<b>31 March 2008 at the end of the month</b>						
Opening net book value	207 041 088	2787 138 193	330 473 827	92 999 553	70 598 825	3488 251 486
Additions		631 567	203 587	3 082 191	44 606 803	48 524 148
Disposals	( 10 819)					( 10 819)
Retirements	( 9 123)	( 634 045)	( 251 158)	( 33)		( 894 359)
Reclassification	683 203	26 842 199	3 785 960	653 950	(31 965 312)	-
Reclassification into long-term assets held for sale	400		239 206			239 606
Reversal of impairment provision	32 957		34 057		7 391	74 405
Impairment charge				( 307 491)		( 307 491)
Depreciation	(3 851 903)	(51 341 914)	( 8 014 157)	(5 346 764)		(68 554 738)
Closing net book value	203 885 803	2762 636 000	326 471 322	91 081 406	83 247 707	3467 322 238
<b>31 March 2008</b>						
Cost or revaluation	283 548 883	3480 742 006	447 596 311	147 410 944	83 775 682	4443 073 826
Accumulated depreciation and impairment	(79 663 080)	(718 106 006)	(121 124 989)	(56 329 538)	( 527 975)	(975 751 588)
Net book value	203 885 803	2762 636 000	326 471 322	91 081 406	83 247 707	3467 322 238

#### 4. Long-term intangible assets

GROUP	Software	Other intangible assets	Total
<b>1 January 2008</b>			
Cost	18 677 769	448 737	19 126 506
Accumulated amortisation	(8 033 510)	(392 342)	(8 425 852)
Net book value	10 644 259	56 395	10 700 654
<b>31 March 2008 at the end of the month</b>			
Opening net book value	10 644 259	56 395	10 700 654
Additions	1 033 190		1 033 190
Amortisation	(1 178 324)	( 15 380)	(1 193 704)
Closing net book value	10 499 125	41 015	10 540 140
<b>31 March 2008</b>			
Cost	19 700 759	448 737	20 149 496
Accumulated amortisation	(9 201 634)	(407 722)	(9 609 356)
Net book value	10 499 125	41 015	10 540 140

COMPANY	Software	Other intangible assets	Total
<b>1 January 2008</b>			
Cost	18 670 886	448 737	19 119 623
Accumulated amortisation	(8 032 425)	(392 342)	(8 424 767)
Net book value	10 638 461	56 395	10 694 856
<b>31 March 2008 at the end of the month</b>			
Opening net book value	10 638 461	56 395	10 694 856
Additions	1 033 190		1 033 190
Amortisation	(1 177 848)	(15 380)	(1 193 228)
Closing net book value	10 493 803	41 015	10 534 818
<b>31 March 2008</b>			
Cost	19 693 876	448 737	20 142 613
Accumulated amortisation	(9 200 073)	(407 722)	(9 607 795)
Net book value	10 493 803	41 015	10 534 818

### 5. Long-term receivables and prepayments

	GROUP		COMPANY	
	31-03-2008	31-12-2007	31-03-2008	31-12-2007
Prepayment for long-term tangible and intangible assets	2 596 333	3 565 233	2 596 333	3 565 233
Loans extended	3 144 222	3 171 006	3 144 222	3 171 006
	5 740 555	6 736 239	5 740 555	6 736 239

### 6. Inventories

	GROUP		COMPANY	
	31-03-2008	31-12-2007	31-03-2008	31-12-2007
Materials and spare parts	8 856 974	8 308 069	2 427 967	2 735 634
Electricity meters	1 659 136	2 191 061	1 654 753	2 186 678
Fuel	285 541	246 960	6 372	6 093
Other	412 815	318 705	191 747	152 479
Reduction to net realisable value	(2 176 466)	(2 373 873)	(1 599 700)	(1 760 860)
	9 038 000	8 690 922	2 681 139	3 320 024

### 7. Trade and other receivables

	GROUP		COMPANY	
	31-03-2008	31-12-2007	31-03-2008	31-12-2007
Trade receivables	129 381 764	115 362 336	125 608 753	114 279 061
Receivables from subsidiaries	-	-	5 492 648	4 273 237
Loans extended	280 557	369 694	280 557	369 694
Prepaid and recoverable taxes other than income tax	222 102	379 762	222 102	379 302
Accrued income and deferred charges	1 017 402	1 576 880	792 500	1 487 204
Other receivables	11 602 236	1 496 964	11 365 237	1 402 176
Impairment of trade and other receivables	(18 503 387)	(18 509 000)	(18 468 004)	(18 471 863)
	124 000 674	100 676 636	125 293 793	103 718 811



## 8. Cash and cash equivalents

	GROUP		COMPANY	
	31-03-2008	31-12-2007	31-03-2008	31-12-2007
Cash in bank	580 653	3 737 295	126 600	3 497 851
Cash in hand	118 888	116 785	118 888	116 785
Cash in transit	556 862	272 780	556 862	272 780
	1 256 403	4 126 860	802 350	3 887 416

Cash, cash equivalents and overdrafts in the cash flow statement include the following:

	GROUP		COMPANY	
	31-03-2008	31-12-2007	31-03-2008	31-12-2007
Cash and cash equivalents	1 256 403	4 126 860	802 350	3 887 416
Overdrafts	(44 974 562)	(34 174 748)	(42 187 572)	(31 293 747)
	(43 718 159)	(30 047 888)	(41 385 222)	(27 406 331)

## 9. Other long-term liabilities

	GROUP		COMPANY	
	31-03-2008	31-12-2007	31-03-2008	31-12-2007
Deferred income from new customers	115 198 849	102 387 645	115 198 849	102 387 645
Financial grants and subsidies	7 280 899	7 406 522	7 280 899	7 406 522
Other long-term liabilities	9 035 659	8 766 978	9 035 659	8 766 978
	131 515 407	118 561 145	131 515 407	118 561 145

## 10. Trade and other payables

	GROUP		COMPANY	
	31-03-2008	31-12-2007	31-03-2008	31-12-2007
Trade payables	104 912 743	163 659 142	107 254 503	167 045 148
Advance payments received	56 963 122	58 223 869	56 949 282	58 208 521
Deferred income from customer connection fees	3 009 258	3 590 862	3 009 258	3 590 862
Accruals and deferred income	7 791 700	6 725 634	6 221 813	5 101 692
Taxes other than income tax	10 074 232	4 661 285	7 839 788	2 883 086
Other short-term liabilities	6 809 499	620 792	4 267 790	616 634
	189 560 554	237 481 584	185 542 434	237 445 943

**11. Loans**

	GROUP		COMPANY	
	31-03-2008	31-12-2007	31-03-2008	31-12-2007
<b>Long-term</b>				
Bank loans	109 647 117	95 835 917	109 647 117	95 835 917
	109 647 117	95 835 917	109 647 117	95 835 917
<b>Short-term</b>				
Overdrafts	44 974 562	34 174 748	42 187 572	31 293 747
Bank loans	15 602 052	19 054 852	15 602 052	19 054 852
	60 576 614	53 229 600	57 789 624	50 348 599
	170 223 731	149 065 517	167 436 741	146 184 516

**12. Sales revenue**

Sales revenue is revenue from electricity sales.

## IV. MOST RECENT AND ESSENTIALS EVENTS IN THE ISSUER'S ACTIVITIES

### 12. Essential events in the issuer's activities

#### 23.01.2008 Decision of the Board of Rytų Skirstomieji Tinklai AB

On 23 January 2008, Board of Rytų Skirstomieji Tinklai AB decided to extend, at the expense of the Company's profit, the application of a preferential tariff for farmers receiving electric energy from low-voltage power transmission networks for the year 2008 (the power fee is to be applied in August, September and October only).

#### 04.02.2008 On the Law Amending the Law on Nuclear Power Plant

On 1 February 2008, the Parliament of the Republic of Lithuania passed the Law Amending Articles 8, 10, 11 and 20 of the Law on Nuclear Power Plant providing for the establishment of a national investor on the basis of a new parent company, transferring the state-owned stake in Rytų Skirstomieji Tinklai AB (or a part thereof) to the new parent company.

#### 13.02.2008 On the Signing of the Law Amending the Law on Nuclear Power Plant

On 11 February 2008, the President of the Republic of Lithuania signed the Law Amending and Supplementing Articles 8, 10, 11 and 20 of the Law on Nuclear Power Plant of the Republic of Lithuania, passed by the Parliament of the Republic of Lithuania on 1 February 2008, which provided for the establishment of a national investor on the basis of a new parent company, transferring the state-owned stake in Rytų Skirstomieji Tinklai AB (or a part thereof) to the new parent company.

#### 26.02.2008 Preliminary unaudited consolidated operating results of Rytų Skirstomieji Tinklai Group for 2007

Preliminary unaudited consolidated operating results of Rytų Skirstomieji Tinklai Group (hereinafter referred to as RST Group) for 2007 according to International Financial Reporting Standards:

- net profit of LTL 32.5 mln (EUR 9.42 mln), up 31 pct from the 2006 figure of LTL 24.8 mln (EUR 7.19 mln). The higher than expected profit of the Group in 2007 was determined by a 4 pct rise in electricity sales;
- pre-tax profit of LTL 39.1 mln (EUR 11.34 mln), up 30.8 pct versus the year-earlier figure of LTL 29.9 mln (EUR 8.67 mln);
- operating income of LTL 1068 mln (EUR 309.57 mln), up 14.4 pct from the year-earlier figure of LTL 933.8 mln (EUR 270.67 mln);
- RST Group investments made up LTL 273 mln (EUR 7913 mln), up 30.6 pct compared with the year-earlier figure of LTL 209 mln (EUR 60.58 mln). The higher than expected investments were determined by a 39 pct increase (as compared with 2006) in the number of new consumers connected to the power grid.

#### 05.03.2008 Investment plans of Rytų Skirstomieji Tinklai for 2008

In 2008, Rytų Skirstomieji Tinklai AB plans to allocate LTL 248 mln (EUR 71.9 mln) for investments, of which three-quarters will go to investments in the distribution network.

#### 13.03.2008 Ordinary General Meeting of Shareholders of Rytų Skirstomieji Tinklai AB

At the initiative of the Board of Rytų Skirstomieji Tinklai AB, it was decided to convene an Ordinary General Meeting of Rytų Skirstomieji Tinklai AB at P. Lukšio g. 5B, Vilnius, on 15 April 2008 at 10 a.m.

Agenda of the Ordinary General Meeting of Shareholders:

1. Presentation of the Group's consolidated annual report for 2007;
2. Presentation of findings of an independent auditor;
3. Approval of the Company's financial statements for 2007;
4. Approval of consolidated financial statements of the Company and its subsidiaries for 2007;
5. The Company's profit and loss appropriation account for 2007;
6. Selection of an audit company and determination of terms of payment for audit services.

Registration of shareholders starts on 15 April 2008 at 9 a.m. and ends at 9.50 a.m.

The accounting day of the General Meeting is 8 April 2008.

The shareholders must have ID documents. Shareholders' proxies must also have a power of attorney certified in accordance with the established procedure.

#### 14.03.2008 The Board of Rytų Skirstomieji Tinklai AB approves the Company's long-term tangible asset valuation results

The Board of Rytų Skirstomieji Tinklai AB approved the results of valuation of the Company's long-term tangible assets carried out by Korporacija Matininkai UAB, an independent property valuer, and the inclusion thereof in the Company's

financial accounting. The Company's long-term tangible assets as of 31 December 2007 were valued at LTL 3.48 bln, i.e. 1.4-fold higher than the book value of 31 December 2007.

#### 07.04.2008 Decision of the Board of Rytų Skirstomieji Tinklai AB

On 4 April 2008, the RST Board decided to approve the Company's consolidated annual report and audited financial statements of the Company and the Group for 2007, prepared according to International Financial Reporting Standards, and submit them to the Ordinary General Meeting of Shareholders.

In 2007, the Company's earnings made up LTL 1070.6 mln (EUR 310.32 mln), pre-tax profit totalled LTL 91.3 mln (EUR 26.46 mln) and net profit was LTL 72.8 mln (EUR 21.1 mln).

In 2007, the Group's earnings totalled LTL 1068 mln (EUR 309.57 mln), pre-tax profit amounted to LTL 93.8 mln (EUR 27.19 mln) and net profit was LTL 74.3 mln (EUR 21.54 mln).

The Company's and the Group's audited pre-tax profit for 2007 increased by LTL 49.1 mln (EUR 14.23 mln) and net profit grew by LTL 41.8 mln (EUR 12.12 mln) as compared with the Group's preliminary net profit of LTL 32.5 mln (EUR 9.42 mln) and pre-tax profit of LTL 39.1 mln (EUR 11.34 mln) reported on 26 February 2008. The main reason for the rise in profit was the decision of the Company's Board to include an increase in the value of long-term tangible assets as of 31 December 2007 into financial accounting. Asset revaluation determined a 1.4-fold increase in the value of the Company's long-term tangible assets from LTL 2.43 bln (EUR 0.7 bln) to LTL 3.48 bln (EUR 1 bln). The increase in the value of assets after revaluation facilitated partial offsetting of negative asset revaluation results recorded in 2004.

The Company's Board suggests the General Meeting of Shareholders to allocate LTL 12.3 mln (EUR 3.57 mln) of the Company's 2007 profit available for appropriation for paying dividends, i.e. LTL 0.025 (EUR 0.007) dividends per share.

From 7 April 2008, the shareholders can familiarise themselves with documents related to the agenda of the meeting on the Company's website at [www.rst.lt](http://www.rst.lt) and on the website of Vilnius Stock Exchange at [www.baltic.omxgroup.com](http://www.baltic.omxgroup.com).

#### 10.04.2008 Concerning media reports that Rytų Skirstomieji Tinklai AB will not pay dividends

In response to 9 April 2008 media reports, Rytų Skirstomieji Tinklai AB hereby informs that, as reported earlier, the Company's Boards decided on 4 April 2008 to propose the General Meeting of Shareholders to pay dividends to shareholders. The Company's Board has not made any other decisions on this issue and has no further official information.

#### 15.04.2008 Ordinary General Meeting of Shareholders of Rytų Skirstomieji Tinklai AB did not take place

In the absence of a quorum, the Ordinary General Meeting of Shareholders of Rytų Skirstomieji Tinklai AB (hereinafter referred to as RST AB) did not take place.

At its meeting on 15 April, the Government of the Republic of Lithuania decided to charge the Ministry of Economy (the holder of state-owned shares in RST AB) with authorising its representative at the General Meeting of Shareholders of RST AB to vote in favour of the decision not to allocate the Company's 2007 profit available for appropriation for dividends.

#### 18.04.2008 Repeated Ordinary General Meeting of Shareholders of Rytų Skirstomieji Tinklai AB

In the absence of a quorum at the Ordinary General Meeting of Shareholders of 15 April 2008, the Board of Rytų Skirstomieji Tinklai AB decided on 17 April 2008 to convene a Repeated Ordinary General Meeting of Rytų Skirstomieji Tinklai AB at the same address (P. Lukšio g. 5B, Vilnius) with the same agenda on 28 April 2008 at 10 a.m.

Registration of shareholders starts on 28 April 2008 at 9 a.m. and ends at 9.50 a.m.

The accounting day of the Repeated Ordinary General Meeting of Shareholders is 21 April 2008.

Shareholders attending the Repeated General Meeting must have ID documents. Shareholders' proxies must also have a power of attorney certified in accordance with the established procedure.

#### 28.04.2008 Repeated Ordinary General Meeting of Shareholders takes place

DECIDED:

- I) To approve the financial statements of Rytų Skirstomieji Tinklai AB for 2007;
- II) To approve the consolidated financial statements of the Company and its subsidiaries for 2007;
- III) To approve the Company's profit and loss appropriation account for 2007:

1. Retained profit (loss) for the preceding financial year brought forward at the start of the reporting financial year	LTL 0 (EUR 0)
2. Net profit (loss) for the reporting financial year:	LTL 72 831 892 (EUR 21 110 693)

3. Profit (loss) for the reporting financial year not recognised in the profit and loss account:	LTL 102 165 627 (EUR 29 613 225)
4. Transfers from reserves:	LTL 0 (EUR 0)
5. Shareholders' contributions to cover the Company's losses:	LTL 0 (EUR 0)
6. Total profit (loss) available for appropriation:	LTL 174 997 519 (EUR 50 723 919)
7. Share of profit allocated to the legal reserve:	LTL 0 (EUR 0)
8. Share of profit allocated to the reserve for acquisition of own shares:	LTL 0 (EUR 0)
9. Share of profit allocated to other reserves:	LTL 171 817 519 (EUR 49 802 179)
10. Share of profit allocated for payment of dividends:	LTL 0 (EUR 0)
11. Share of profit allocated for payment of annual disbursements (bonuses) for Board members, bonuses for employees, and for other purposes:	LTL 3 180 000 (EUR 921 739)
11.1. for support:	LTL 700 000 (EUR 202 899)
11.2. for bonuses:	LTL 80 000 (EUR 23 188)
11.3. for bonuses for employees and for other purposes:	LTL 2 400 000 (EUR 695 652)
12. Retained profit (loss) at the end of the reporting financial year brought forward to the following financial year:	LTL 0 (EUR 0)

IV) To select audit company Nepriklausomas Auditas UAB as the auditor of Rytų Skirstomieji Tinklai AB and its subsidiaries for auditing financial statements 2008 -2009 and set the price of audit services at LTL 115 168 (EUR 33 382) (incl. VAT) for 2008 and at LTL 115 168 (EUR 33 382) (incl. VAT) for 2009.

#### 29.04.2008 Preliminary unaudited operating results of Rytų Skirstomieji Tinklai Group for the first quarter of 2008

Preliminary unaudited operating results of Rytų Skirstomieji Tinklai Group for the first quarter of 2008 according to International Financial Reporting Standards:

- operating income of LTL 329 mln (EUR 95.4 mln), up 16 pct compared with the 2007 Q1 figure of LTL 283.5 mln (EUR 822 mln);
- pre-tax profit of LTL 15.7 mln (EUR 4.6 mln), down by LTL 8.1 mln (EUR 2.3 mln) from the year-earlier figure of LTL 23.8 mln (EUR 6.9 mln);
- net profit of LTL 13 mln (EUR 3.8 mln), down by LTL 6.1 mln (EUR 1.7 mln) versus the year-earlier figure of LTL 19.1 mln (EUR 5.5 mln).

The main reason for the decrease in profit was an increase in the value of long-term tangible assets included in the Company's financial accounting on 31 December 2007, which increased costs considerably.