

Rytų Skirstomieji Tinklai AB  
interim consolidated report  
for six months of 2008

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29 August 2008

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

2008-08-29 No. 10430- 462

## 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, Gintautas Mažeika, 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 Six Months of 2008 of Rytų skirstomieji tinklai AB, includes a fair review of the development and performance of the business.

ENCLOSURE: Interim Consolidated Report for the Six Months of 2008 of Rytų skirstomieji tinklai AB.

Director General



Gintautas Mažeika

Finance Director



Arvydas Zakalskis

Artur Grigorian, tel. 251 26 38

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## 1. REPORTING PERIOD COVERED BY THIS REPORT

January – June of the year 2008.

## 2. MAIN DATA ABOUT THE ISSUER

Name of the Company	Stock company Rytų Skirstomieji Tinklai (hereinafter – the Company)
Code	1108 70890
Authorized capital	LTL 492 404 653
Address	P. Lukšio St. 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 organizational form	Stock company, a legal entity of limited liability
Date and place of registration	31 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 entities
Administrator of the register	The division of registration of legal entities of Vilnius branch of the State Enterprise Registrų Centras

## 3. NATURE OF MAIN ACTIVITIES

The main activity is distribution of electricity by low- and medium-voltage networks and supply of electricity to consumers in the Eastern part of Lithuania (in Vilnius, Panevėžys, Alytus and Utena districts and partially in Kaunas and Marijampolė districts).

## 4. CONTRACTS WITH INTERMEDIARIES OF PUBLICLY TRADED SECURITIES

On 10 May 2007 the Issuer signed services contract with the consortium consisting of SEB Vilniaus Bankas AB (company code: 112021238, Gedimino Ave. 12, LT-01103 Vilnius) and the attorneys' office Adamonis, Beržanskienė and partners SORAINEN LAW OFFICES (attorneys' office code: 9400025, Jogailos St. 4, Vilnius) represented by the Department of financial markets of SEB Vilniaus Bankas.

## 5. THE ISSUER'S AUTHORIZED CAPITAL

The authorized capital of Rytų Skirstomieji Tinklai AB registered in the register of companies of the Republic of Lithuania is 492 404 653 Lt.

The structure of the authorized capital of Rytų Skirstomieji Tinklai AB according to the types of shares:

Type of shares	Number of shares	Nominal value (LTL)	Total nominal value, LTL	Part in the authorized capital, per cent
Ordinary nominal shares	492 404 653	1	492 404 653	100.00
Total:	492 404 653	-	492 404 653	100.00

All shares of the Company are paid up and there are no limitations applied to the transfer of the securities.

## 6. INFORMATION ABOUT THE ISSUER'S SUBSIDIARIES

On 30 June 2008 the group of Rytų Skirstomieji Tinklai AB consisted of Rytų Skirstomieji Tinklai AB and subsidiaries: Elektros Tinklo Paslaugos UAB, Rytra UAB and Tetras UAB. The essential information about the Company's subsidiaries is presented in the table below.



	Rytra UAB	Elektros Tinklo Paslaugos UAB	TETAS UAB
Office address	Motorų St. 2 / Geologų St. 16, Vilnius, Vilnius municipality	Motorų St. 2, Vilnius, Vilnius municipality	Senamiesčio St. 102B, Panevėžys, Panevėžys municipality
Nature of activities	Provides transport rent services. Rents civil engineering and special purpose mechanisms, cargo and passenger vehicles	Provides electricity network, equipment maintenance, operation, repair services, performs interior electric installation work	Provides specialised services: electricity network design, construction, repair and maintenance services, customer connections to the grid services
Authorized capital, LTL	22 998 000	11 657 000	1 988 000
Type and class of shares belonging to the issuer	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, LTL	1	1	1
Part of the issuer's votes possessed by the right of ownership or controlled in general meetings of shareholders, per cent	100	100	100
Net profit (loss) for the reporting period, LTL	840 398	(20 408)	240 714
Ratio of current liabilities and current assets as of 30 June 2008	1.39	0.94	0.83
Ratio of total liabilities and total assets as of 30 June 2008	0.24	0.48	0.58
Dividends paid by the issuer, LTL	207 625	444 485	205 395
Loans granted by the issuer, LTL	-	-	-
Borrowings received by the issuer, LTL	-	-	-

## 7. DATA ABOUT THE ISSUER'S PURCHASE OF OWN SHARES

The Company has not acquired own shares. The Company's shares are not acquired by its subsidiaries either. The Company and its subsidiaries have not acquired or sold the own shares over the reporting period.

## 8. DATA ABOUT THE TRADE OF THE ISSUER'S SECURITIES IN REGULATED MARKETS

492 404 653 ordinary nominal shares of Rytų Skirstomieji Tinklai AB having nominal value of one litas each (securities' ISIN code LT0000126385), with total nominal value of 492 404 653 litas, are included into the Official trading list of the Vilnius Stock Exchange (VSE) from 2 May 2007 (VSE symbol – RST1).

## 9. SHAREHOLDERS

The total number of Rytų Skirstomieji Tinklai AB shareholders on 30 June 2008 was 6 429.

**Shareholders who held title to more than 5 percent of the issuer's authorized capital on 30 June 2008:**

Name, surname of the shareholder (name, type, address, code of the enterprise)	Number of ordinary nominal shares the shareholder holds by the right of ownership, units	Portion of registered capital owned, per cent	Portion of the votes attaching to the shares held by the right of ownership, per cent	Portion of votes the shareholder holds indirectly, per cent
LEO LT, AB, Žvejų St. 14 A, LT - 09310 Vilnius	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	---

None of the Company's shareholders have any special controlling rights. All rights of the shareholders are equal thus the number of voting shares at a general meeting of shareholders of Rytų Skirstomieji Tinklai AB is 492 404 653.

The Company is not aware of any agreements between the shareholders that could limit transfer of securities and/or their ability to exercise their voting rights.

## 10. EMPLOYEES

On 30 June 2008 the number of employees of the group of companies decreased by 17 employees compared to the beginning of the year. This change was mostly affected by reduction of staff of Elektros Tinklo Paslaugos UAB and Rytra UAB.

### Number of employees of the group of companies

Company	Number of employees		Change
	2007	Q1 2008	
Group of companies	3 075	3 058	-0.6%
Rytų Skirstomieji Tinklai (RST)	2 157	2 177	0.9%
Elektros Tinklo Paslaugos UAB	533	508	-4.7%
Rytra UAB	251	239	-4.8%
Tetas UAB	134	134	0%

On 30 June 2008 2,177 employees were employed at RST, i.e. 20 employees more than at the end of 2007.

### Number of employees of RST

Employee category	Number of employees		Change
	End of 2007	H1 2008	
Management	282	282	0%
Specialists	1 414	1 428	0.1%
Workers	461	467	1.3%
Total employees	2 157	2 177	0.9%

Over the last three years the number of employees with higher education increased by 15 percent. RST supports employees seeking higher or college education by granting them paid study leave or paying for studies according to tripartite agreements between RST, higher education institutions and the employees. In H1 2008 162,000 litas was allocated for these purposes.



### Distribution of employees of RST by education

Education	Number of employees			
	End of 2007		H1 2008	
Higher	925	43%	951	44%
Higher non-university	769	36%	765	35%
Secondary	433	20%	435	20%
Other	30	1%	26	1%

In 2008, around 47 percent of the RST employees improved their qualification and personal competencies at different seminars, in addition to this, 87 employees acquired necessary computer literacy skills continuing the European Union project "Development of the employees' professional competencies and computer literacy".

Main social guarantees to the RST employees are foreseen in a joint agreement, which is renewed every two years. On 28 May 2008 at a conference of the employees a new version of the joint agreement was approved. This agreement sets salary structure of the RST employees, work, economic and social conditions as well as additional guarantees provided to the employees (allowances in case of accidents, illnesses, death of family members; childbirth allowance, anniversary allowance, additional paid vacation days in case of birth of a child or marriage, or death of a family member and in other cases; higher salary rate for work in holidays (off-schedule work) than foreseen in the Labor Code, annual salary rise considering rate of inflation, bonus checks based on the Company's profit, etc.).

## 11. ISSUER'S MANAGING BODIES

According to the Statutes of Rytų Skirstomieji Tinklai AB managing bodies of the Company are:

- ❖ General Meeting of Shareholders;
- ❖ Supervisory Board (5 members elected for 4 years);
- ❖ Board (4 members elected for 4 years);
- ❖ Head of the Company (Chief Executive Officer).

Decisions of the General Meeting of Shareholders on issues that according to the Statutes of the Company are attributed to the competence of the General Meeting of Shareholders are mandatory to the shareholders, the Supervisory Board, the Board, the Chief Executive Officer and other employees of the Company.

The right to participate in the General Meeting of Shareholders is possessed by the shareholders that have been the shareholders at the end of the accounting day of the meeting of shareholders. The accounting day of the meeting is the 5 (fifth) working day before the General Meeting of Shareholders or the 5 (fifth) working day before the repeated General Meeting of Shareholders. A person participating in the General Meeting of Shareholders and entitled to vote must submit an identity document. A person that is not a shareholder in addition to the identity document has to submit a document confirming the right to vote at the General Meeting of Shareholders.

According to the Statutes of the Company, the Supervisory Board of the Company is responsible for effective supervision of activities of the company managing bodies (it elects members of the Board and dismisses them from office; if the company operates with losses, it must discuss if the members of the Board are suitable to continue their duties; it supervises activities of the Board and Head of the Company; submits to the General Meeting of Shareholders proposals and reports on strategy of the Company's activities, activities of the Board, and Head of the Company; performs other activities attributed to it by laws or other legal acts).

According to the Statutes of the Company, the Board of the Company is responsible for the due strategic management of the Company (it approves strategy of the Company activities, adopts principal decisions provided in the legal acts on the Company's organizational management structure, transactions, undertaking of various obligations, etc.).

Head of the Company organizes and executes the Company's commercial activities (executes by himself functions delegated by the Board, decisions of the shareholders' meetings, manages operating matters of commercial activities, represents the Company in State and Government bodies, courts, arbitrations and in relations with third persons. The Chief Executive Officer is responsible for preparation of financial accountability; submission of data and documents in cases provided by the laws; reporting about essential events; accounting of the Company shareholders and other duties provided by the laws, the Statutes and job description).



**Participation of members of the Supervisory Board, the Board and the Administration of the Company in the issuer's authorized capital**

Name, surname	Position	Share of authorised capital held, pct	Share of votes, pct
<b>Supervisory Board (elected on 08 07 2008 by the decision the General Meeting of Shareholders)</b>			
Andrius Šimkus	Chairman	-	-
Mario Nullmeier	Member	-	-
Vidmantas Grušas	Member	-	-
Darius Kašauskas	Member	-	-
Algimantas Zaremba	Member	-	-
<b>Board (elected on 08 07 2008 at the meeting of the Supervisory Board)</b>			
Gintautas Mažeika,	Chairman	-	-
Valdas Bancevičius	Member	-	-
Vytenis Kudinskis	Member	-	-
<b>Chief Executive Officer, Chief Financial Officer of the Company (as of 29 08 2008)</b>			
Gintautas Mažeika	Chief Executive Officer	-	-
Antosė Muliulienė	Chief Financial Officer	0.000002	0.000002

**Information about the Board Chairman, the Chief Executive Officer and the Chief Financial Officer, with an additional indication of education, profession, places of work over the past 10 financial years and positions in them**

**Gintautas Mažeika:** Chairman of the Board, Chief Executive Officer. He studied finance at Vilnius University, the Faculty of Economic Cybernetics and Finance and obtained a diploma of an economist. He completed postgraduate studies of international business administration for executives (EMBA) at the Business Strategy Institute of Kaunas University of Technology, becoming a master of management and business administration.

Places of work over the past 10 years and positions in them:

From 2008	Chairman of the Board, CEO of Rytų Skirstomieji Tinklai AB
From 2006 to 2008	Chairman of the Board, CEO of insurance company PZU Lietuva UAB
From 2005 to 2006	Member of the Board, Deputy CEO of insurance company PZU Lietuva UAB
From 2000 to 2005	Chairman of the Board, CEO of life insurance company Bonum Publicum
From 1999 to 2000	Director of Būsto Paskolų Draudimas UAB
From 1994 to 1999	Director of business consultancy Bankinės Konsultacijos

**Antosė Muliulienė:** Chief Financial Officer. Education: Vilnius Finance and Credit College, speciality of bookkeeping and accounting.

Places of work over the past 10 years and positions in them:

From 2002	CFO of Rytų Skirstomieji Tinklai AB
From 1992 to 2001	Chief Accountant of Vilniaus Elektros Tinklai, a subsidiary of Lietuvos Energija AB



**Participation of the Supervisory Board, the Board, the Chief Executive Officer and the Chief Financial Officer in the activities of other companies, institutions and organisations**

Name, surname	Name of organisation, position	Share of other companies' capital and votes, pct
<b>Supervisory Board</b>		
Andrius Šimkus	LEO LT AB, chief lawyer	-
	LitPol Link Sp. z o.o., member of the Supervisory Board	-
Mario Nullmeier	E.ON Ruhrgas International (ERI) AG, Baltic Office Manager	-
Vidmantas Grušas	LEO LT AB, head of the power network technologies	-
Darius Kašauskas	LEO LT AB, head of control and analysis	-
Algimantas Zaremba	Director of the Energy Department of the Ministry of Economy of the Republic of Lithuania	-
<b>Board</b>		
Gintautas Mažeika	-	-
Valdas Bancevičius	LEO LT AB, member of the Technology Committee	-
	Elektros Tinklo Paslaugos UAB, Chairman of the Board	-
	Tetas UAB, Chairman of the Board	-
Vytenis Kudinskas	LEO LT AB, Member of the Information Technology and Telecommunications Committee	-
<b>Chief Executive Officer, Chief Financial Officer of the Company</b>		
Gintautas Mažeika	-	-
Antosė Muliulienė	-	-

Members of the Company's managing bodies are free of any non-expired conviction.

The Supervisory Board of Rytų Skirstomieji Tinklai AB was elected on 8 July 2008 at the General Meeting of Shareholders. The Supervisory Board was elected for a term of four years.

The Board of the Company was elected for a term of four years on 8 July 2008.

## 12. INFORMATION ABOUT THE RESULTS OF THE ISSUER'S ACTIVITIES

As of 30 June 2008 the group of the Company included Rytų Skirstomieji Tinklai AB and the subsidiaries Elektros Tinklo Paslaugos UAB, Rytra UAB and Tetas UAB.

The core business of Rytų Skirstomieji Tinklai AB is the distribution and supply of electrical energy. In the first half of 2008, the Company sold 2160.9 mln kWh of power to users, i.e. by 105.9 mln kWh or 5.2 pct more than in the same period of 2007. Sales growth was mostly influenced by residents (11.9 pct) and trade (26.6 pct).

With growing power sales, in the first half year of 2008 the Company purchased 2337.5 mln kWh of electricity from power producers, i.e. by 2.9 pct or 64.8 mln kWh more year-on-year. In H1 2008, the Company generated income of LTL 597.1 mln, i.e. up by LTL 77 mln or 14.8 pct compared to the same half year in 2007. The increased power tariff and sales influenced income growth.

in H1 2008, the Company's variable costs (power purchase and transmission costs) increased by 11.3 pct or LTL 33.3 mln year-on-year and constituted LTL 328.1 mln. The relatively fixed costs of the Company amounted to LTL 259.2 mln in H1 2008 and were by 34.1 pct or LTL 66 mln higher than a year ago. Growth of the fixed costs was determined by the increased depreciation and amortisation costs of the Company's long-term tangible assets revalued at the end of 2007 and the growing remuneration costs.

### Risk factors related with the issuer's activities:

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

- dependence on the regular operation of Lithuania's key power producer, the Ignalina nuclear power plant,
- influence from the liberalisation of the power market,
- the risk of change in the market price of equipment, installations and materials used for the operation and construction of the power network.



The Company purchases the greater part of electrical energy directly from the state enterprise the Ignalina nuclear power plant, thus facing the unscheduled risk of the plant's shutdown. During the shutdown of the reactors, the Company is forced to purchase more expensive power from other producers and market participants. For this reason, the risk of the increased largest portion of the costs – the price of the purchased power – exists. It is expected that the power price will be largely influenced also by the shutdown of the Ignalina nuclear power plant in 2009.

As from 1 July 2007, the right to the free user status, i.e. the possibility to choose the power supplier and to make a Power Purchase and Sale agreement with him, became available to both companies and residents. Therefore, the risk of retaining the existing share of the supply market increased.

In operating and expanding its distribution network, the Company purchases electrical equipment and materials whose prices are dependent on market trends. Prices of these goods determine the Company's costs of network operation and investment in the power grid, as well as its financial results.

**Political risk factors.** Rytų Skirstomieji Tinklai AB operates in the energy sector where activities are generally regulated by the Law on Electricity of the Republic of Lithuania. In this respect, the influence of possible amendments to the said law and other regulations on the Company's operations and results should be evaluated.

The licensed activities of the Company are controlled by the National Control Commission for Prices and Energy (hereinafter the VKEKK), which sets the upper limit of prices regulated by the government, controls the application of government regulated prices and tariffs and approves connection tariffs for energy installations. Specific power tariffs for end users are approved by the Board of the Company.

**Technical and technological risk factors.** Distribution of the power in the network involves unavoidable technological costs and commercial losses. Technological costs depend on the technical specifications and the optimum use of the distribution network. Commercial losses result from illegal connection to the power network and from energy theft through the illegal damage of power meters and elements of the metering system. To eliminate commercial losses arising from external subjects, the Company is actively involved in the prevention or illegal power use and the relocation of metering devices to sites that easily accessible to the operator of the distribution network.

One of the key factors characterising the activities of the operator of the distribution network is the reliability of power distribution that is evaluated by the duration and number of users' disconnections. Such unpredictable external factors as natural disasters pose the risk that the Company will fail to ensure reliable power supply to users and to receive expected income and that the elimination of respective malfunctions will entail additional operating expenses.

**Social risk factors.** In providing services to energy users and operating and upgrading the power network, the Company feels an increased lack of professionals in the market, and there is a risk of the turnover of the existing staff. This is determined by both internal and external reasons. As it acts in a regulated market, the Company has limited possibilities for competition.

**Environmental risk factors.** Differently from the activities of power producers, the core business of the Company, i.e. power distribution and supply, have a lower negative impact on the environment.

**Bank loan repayment risk factors.** Observing the guidelines of borrowing programmes from previous years, the Company has evenly distributed portions of loans to be repaid within the timeframe. Therefore, the risk of loan repayment is not envisioned. Loans to creditors are repaid and interest is paid in accordance with the terms laid down in the agreements.

#### Existing loans as of 30 June 2008:

	Group, LTL	Company, LTL
<b>Long-term</b>		
Bank loans	109 647 117	109 647 117
<b>Current</b>		
Bank account overdraft	5 724 116	3 912 703
Bank loans	15 602 052	15 602 052
<b>Total loans</b>	<b>130 973 285</b>	<b>129 161 872</b>

More information about the results of the Company's activities and financial results in the first six months of 2008 is provided in the interim consolidated report of the 2008 six-month financial statements of Rytų Skirstomieji Tinklai AB.



### 13. REFERENCES AND ADDITIONAL NOTES ON THE INTERIM FINANCIAL STATEMENTS

All financial data presented in this interim report were calculated in accordance with the International Accounting Standards and were not audited, unless indicated otherwise.

### 14. ISSUER'S PLANS OF ACTIVITIES AND FORECAST

With the change of its main shareholder and managing bodies, at present the Company is approving new targets and reviewing its plans of activities, forecast and investment policy. The Company will inform the public and the regulatory bodies of its decisions concerning the change of the plans of activities as provided for in the Rules of Ensuring Confidentiality of Publicly Undisclosed Information and of Disclosure.

### 15. INFORMATION ABOUT PRESS RELEASES

In January-July 2008, the Company issued the following press releases of material events:

#### **23 01 2008. Decision of the Board of Rytų Skirstomieji Tinklai AB**

On 23 January 2008, the 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 who receive electricity from low-voltage power transmission networks for the year 2008 (the capacity fee is to be applied in August, September and October only).

#### **04 02 2008. On the Law Amending the Law on the 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 the 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 the 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 the 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 the Rytų Skirstomieji Tinklai Group (hereinafter the 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),
- the 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 as many as three quarters will go to investments in the distribution network.

#### **13 03 2008. Ordinary General Meeting of Shareholders of Rytų Skirstomieji Tinklai AB**

On 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 Board 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 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 the Rytų Skirstomieji Tinklai Group for Q1 2008**

Preliminary unaudited operating results of the Rytų Skirstomieji Tinklai Group for Q1 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.

#### **28 05 2008. LEO LT AB Shareholder Agreement signed and share capital increased**

On 27 May 2008, the Shareholder Agreement of the national investor company LEO LT AB was signed. Immediately thereafter an Extraordinary General Meeting of Shareholders of LEO LT AB took place, which took the decision to



increase the share capital of LEO LT AB with property contributions of the shareholders the Government of the Republic of Lithuania and NDX Energija UAB, i.e. with shares of Rytų Skirstomieji Tinklai AB, Lietuvos Energija AB and VST AB. The Statutes of LEO LT AB were amended accordingly and registered with the Register of Legal Persons.

#### **28 05 2008. Agendas of Extraordinary General Meetings of Shareholders**

On 28 May 2008, the Board of Rytų Skirstomieji Tinklai AB decided to convene an Extraordinary General Meeting of Shareholders on 30 June 2008 at 11:30 a.m., at P. Lukšio St. 5B, Vilnius. Agenda of the Extraordinary General Meeting of Shareholders:

1. Approval of the new edition of the Company's Statutes.
  2. Dissolution of the Company's Supervisory Board and revocation of the existing Supervisory Board of the Company.
- Registration of shareholders starts on 30 June 2008 at 10:30 a.m. and ends at 11:20 a.m. The accounting day of the General Meeting is 20 June 2008.

On 28 May 2008, the Board of Rytų Skirstomieji Tinklai AB decided to convene an Extraordinary General Meeting of Shareholders on 8 July 2008 at 2 p.m., at P. Lukšio St. 5B, Vilnius. Agenda of the Extraordinary General Meeting of Shareholders:

1. Revocation of the Board of the Company.
  2. Election of the Board.
- Registration of shareholders starts on 8 July 2008 at 1 p.m. and ends at 1:50 p.m. The accounting day of the General Meeting is 30 June 2008.
- Shareholders attending the General Meeting must have ID documents. Shareholders' proxies must also have a power of attorney certified in accordance with the established procedure.

#### **03 06 2008. Regarding non-provision of a compulsory public offer**

This is to advise that on 2 June 2008 the shareholder LEO LT AB, company identification No. 301732248, registered address at Žvejų St. 14A, Vilnius, which controls the publicly held company Rytų Skirstomieji Tinklai, announced that it would not provide the compulsory public offer to buy out the remaining voting shares of the publicly held company Rytų Skirstomieji Tinklai, as the applicable laws of the Republic of Lithuania did not provide for such a requirement.

#### **26 06 2008. Agenda of the 8 July 2008 Extraordinary General Meeting of Shareholders amended**

On 20 June 2008, the Board of Rytų Skirstomieji Tinklai AB passed the decision to amend the agenda of the 8 July 2008 Extraordinary General Meeting of Shareholders by annulling the agenda approved the Board Resolution No 12 of 28 2008, and to approve a new agenda:

1. Regarding revocation of the Supervisory Board of the Company.
  2. Regarding election of the Supervisory Board of the Company.
- The Extraordinary General Meeting of Shareholders will take place at P. Lukšio St. 5B, Vilnius, at 2 p.m. Registration of shareholders starts on 8 July 2008 at 1 p.m. and ends at 1:50 p.m. The accounting day of the General Meeting is 30 June 2008.
- Shareholders attending the General Meeting must have ID documents. Shareholders' proxies must also have a power of attorney certified in accordance with the established procedure.

#### **30 06 2008. On 30 June 2008 an Extraordinary General Meeting of Shareholders takes place**

At the Extraordinary General Meeting of Shareholders of Rytų Skirstomieji Tinklai AB (company identification No 110870890) that took place on 30 June 2008 the following resolutions were passed:

1. To approve the new edition of the Company's Statutes, to authorise Valdas Bancevičius, acting CEO of Rytų Skirstomieji Tinklai AB, to sign the new edition of the Statutes of Rytų Skirstomieji Tinklai AB, and to obligate Valdas Bancevičius, acting CEO of Rytų Skirstomieji Tinklai AB, or other authorised persons to register the amended Statutes in accordance with the procedure established by the law and to perform other related actions.
2. Not to dissolve the Supervisory Board of the Company and not to revoke the existing Supervisory Board of the Company.

#### **08 07 2008. On 8 July 2008 an Extraordinary General Meeting of Shareholders takes place**

On 8 July 2008, at 2 p.m., an Extraordinary General Meeting of Shareholders of Rytų Skirstomieji Tinklai AB took place that resolved the following:

1. To revoke the existing Supervisory Board of Rytų Skirstomieji Tinklai AB and to establish that the authority thereof ceases as of the beginning of activities of the new Supervisory Board of Rytų Skirstomieji Tinklai AB.
2. To elect the following persons to the Supervisory Board of Rytų Skirstomieji Tinklai AB: Andrius Šimkus, Vidmantas Grušas, Algimantas Zaremba, Darius Kašauskas and Mario Nullmeier.
3. To establish that of the new Supervisory Board of Rytų Skirstomieji Tinklai AB begins its activities as from the date of the General Meeting of Shareholders of Rytų Skirstomieji Tinklai AB that elected the Supervisory Board.



On the same day, at 3 p.m., a meeting of the Supervisory Board of Rytų Skirstomieji Tinklai AB took place that resolved:

1. To elect Andrius Šimkus chairman of the Supervisory Board of Rytų Skirstomieji Tinklai AB.
2. To revoke the existing Board of Rytų Skirstomieji Tinklai AB and to establish that the authority thereof ceases as of the beginning of activities of the new Board of Rytų Skirstomieji Tinklai AB.
3. To elect the following persons to the Board of Rytų Skirstomieji Tinklai AB: Gintautas Mažeika, Valdas Bancevičius and Vytenis Kudinskas.
4. Not to elect the fourth member of the Board of Rytų Skirstomieji Tinklai AB.
5. To establish that the new Board of Rytų Skirstomieji Tinklai AB begins its activities after the end of the meeting of the Supervisory Board of Rytų Skirstomieji Tinklai AB that elected the Board.

On the same day, at 3:30 p.m., a meeting of the Board of Rytų Skirstomieji Tinklai AB took place that resolved:

1. To elect Gintautas Mažeika chairman of the Board of Rytų Skirstomieji Tinklai AB.
2. To revoke the CEO of Rytų Skirstomieji Tinklai AB.
3. To elect Gintautas Mažeika new CEO of Rytų Skirstomieji Tinklai AB.

#### **21 07 2008. Preliminary H1 2008 operating results of Rytų Skirstomieji Tinklai AB Group**

H1 2008 preliminary unaudited consolidated operating results of the Rytų Skirstomieji Tinklai Group according to International Financial Reporting Standards:

- operating income of LTL 603.3 mln (EUR 174.9 mln), up 14.9 pct from the year-earlier figure of LTL 525.1 mln (EUR 152.2 mln),
- pre-tax profit of LTL 10.8 mln (EUR 3.1 mln), down by LTL 21.2 mln (EUR 6.1 mln) versus the year-earlier figure of LTL 32 mln (EUR 9.28 mln),
- net profit of LTL 8.4 mln (EUR 2.4 mln), up by LTL 17.7 mln (EUR 5.1 mln) from the H1 2007 figure of LTL 26.1 mln (EUR 7.57 mln).

The main reason for the drop in profit was the increased value of the long-term tangible assets included in the 31 December 2007 financial statements of the Company, which significantly enlarged the costs.

In fulfilment of its obligations under the laws regulating the securities market applicable to the Company, the RST announces material events (as well as other regulated information) for the whole of the European Union. Announced information is also available on the RST website at [www.rst.lt](http://www.rst.lt) and the Vilnius Stock Exchange website at [www.baltic.omxgroup.com](http://www.baltic.omxgroup.com).

#### **16. PROCEDURE OF AMENDING THE ISSUER'S STATUTES**

The Law of the Republic of Lithuania on Companies stipulates that amendment of the Statutes is the exclusive right of the General Meeting of Shareholders. Taking a decision on amending the Statutes requires a 2/3 qualified majority vote of all those attending the General Meeting of Shareholders.

#### **17. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Rytų Skirstomieji Tinklai AB partially complies with the Corporate Governance Code of a commendatory nature, in August 2006 approved at the Vilnius Stock Exchange for listed companies.

Rytų Skirstomieji Tinklai AB  
consolidated and parent company  
interim financial statements  
for six months of 2008

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29 August 2008

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

2008-08-28 No. 10430-761

## 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, Gintautas Mažeika, Director General of Rytų skirstomieji tinklai AB, and, Arvydas Zakalskis, Finance Director, hereby do confirm, to the best of our knowledge, that the enclosed and unaudited Interim Financial Statements for the Six Months of 2008 of Rytų skirstomieji tinklai AB, prepared in accordance with International Standards of Accounting acknowledged in the EU fairly shows the assets of Rytų skirstomieji tinklai AB and the assets of the Group, the liabilities, financial status and profit or loss.

ENCLOSURE: Interim Consolidated Financial Statements for the Six Months of 2008 of Rytų skirstomieji tinklai AB.

Director General



Gintautas Mažeika

Finance Director



Arvydas Zakalskis

Artur Grigorian, tel. 251 26 38



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## I. BALANCE STATEMENT

Since 1 January 2005, Rytų Skirstomieji Tinklai AB has handled accounting according to International Accounting Standards. Financial accounting statements presented in this chapter have been prepared according to the International Financial Accountability Standards. The company financial statements as of 31 12 2006 have been checked by auditors. 30 06 2006 and 30 Jun 2007 financial statements have not been audited yet.

	GROUP		COMPANY	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	3514 665 727	3528 584 468	3474 627 007	3488 251 486
Intangible assets	9 360 825	10 700 654	9 348 603	10 694 856
Investments into subsidiaries	-	-	36 643 000	36 643 000
Deferred tax asset	50 250	62 623	-	-
Non-current accounts receivable and prepayments	4 662 576	6 736 239	4 662 576	6 736 239
	<b>3528 739 378</b>	<b>3546 083 984</b>	<b>3525 281 186</b>	<b>3542 325 581</b>
<b>Current assets</b>				
Inventories	7 624 951	8 690 922	1 663 903	3 320 024
Trade and other receivables	99 526 562	100 676 636	101 880 841	103 718 811
Derivative financial instruments	559 764	415 241	559 764	415 241
Prepaid current income tax	185 702	2 583 332	12 214	2 442 192
Cash and cash equivalents	1 168 893	4 126 860	853 364	3 887 416
	<b>109 065 872</b>	<b>116 492 991</b>	<b>104 970 086</b>	<b>113 783 684</b>
Non-current assets classified as held for sale	218 750	461 964	218 750	461 964
	<b>109 284 622</b>	<b>116 954 955</b>	<b>105 188 836</b>	<b>114 245 648</b>
<b>Total assets</b>	<b>3638 024 000</b>	<b>3663 038 939</b>	<b>3630 470 022</b>	<b>3656 571 229</b>
<b>EQUITY</b>				
<b>Equity attributable to equity holders and reserves</b>				
Share capital	492 404 653	492 404 653	492 404 653	492 404 653
Revaluation reserve	1826 994 888	1913 340 243	1820 441 507	1906 786 862
Legal reserve	49 516 408	49 409 220	49 240 465	49 240 465
Other reserves	336 168 583	160 207 278	333 518 792	158 521 273
Retained earnings	88 891 005	170 091 977	95 152 607	174 997 519
<b>Total equity</b>	<b>2793 975 537</b>	<b>2785 453 371</b>	<b>2790 758 024</b>	<b>2781 950 772</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	109 647 117	95 835 917	109 647 117	95 835 917
Deferred income tax liability	359 185 787	372 269 097	359 336 643	372 428 853
Other non-current liabilities	146 874 007	118 561 145	146 874 007	118 561 145
	<b>615 706 911</b>	<b>586 666 159</b>	<b>615 857 767</b>	<b>586 825 915</b>
<b>Current liabilities</b>				
Trade and other payables	200 650 506	237 481 584	198 105 600	237 445 943
Current income tax liabilities	6 364 878	208 225	6 233 876	-
Borrowings	21 326 168	53 229 600	19 514 755	50 348 599
	<b>228 341 552</b>	<b>290 919 409</b>	<b>223 854 231</b>	<b>287 794 542</b>
<b>Total liabilities</b>	<b>844 048 463</b>	<b>877 585 568</b>	<b>839 711 998</b>	<b>874 620 457</b>
<b>Total equity and liabilities</b>	<b>3638 024 000</b>	<b>3663 038 939</b>	<b>3630 470 022</b>	<b>3656 571 229</b>



## II. INCOME STATEMENT

	GROUP		COMPANY	
	30 Jun 2008	30 Jun 2007	30 Jun 2008	30 Jun 2007
Revenue	603 324 363	525 143 261	603 170 391	527 432 167
Other income	485 396	461 847	1 416 595	995 873
Electricity purchase	(244 553 193)	(214 917 715)	(244 553 193)	(214 917 715)
Electricity transmission services expense	(83 525 370)	(79 860 682)	(83 525 370)	(79 860 682)
Depreciation and amortisation	(141 157 135)	(86 793 563)	(137 954 640)	(83 092 285)
Employee benefits and related social insurance contributions	(73 201 423)	(63 058 426)	(55 589 043)	(47 275 729)
Repair and maintenance expense	(26 953 514)	(26 569 646)	(40 096 711)	(39 824 621)
Transport expense	( 733 842)	( 459 052)	(7 747 008)	(6 819 241)
Other gain (loss), net value	524 880	360 003	370 562	361 062
Other expenses	(20 363 081)	(20 016 335)	(21 550 734)	(22 748 975)
<b>Operating profit</b>	<b>13 847 081</b>	<b>34 289 692</b>	<b>13 940 849</b>	<b>34 249 854</b>
Finance income	206 756	249 304	206 227	247 026
Finance costs	(3 287 486)	(2 574 251)	(3 205 065)	(2 488 709)
Finance costs, net value	(3 080 730)	(2 324 947)	(2 998 838)	(2 241 683)
<b>Profit before tax</b>	<b>10 766 351</b>	<b>31 964 745</b>	<b>10 942 011</b>	<b>32 008 171</b>
Income tax expense	(2 346 483)	(5 913 914)	(2 237 057)	(5 732 849)
<b>Net profit</b>	<b>8 419 868</b>	<b>26 050 831</b>	<b>8 704 954</b>	<b>26 275 322</b>

  

	GROUP		COMPANY	
	2008 II quarter	2007 II quarter	2008 II quarter	2007 II quarter
Revenue	274 281 414	241 614 495	273 613 657	242 239 079
Other income	288 413	207 669	312 491	696 617
Electricity purchase	(108 172 504)	(95 816 260)	(108 172 504)	(95 816 260)
Electricity transmission services expense	(37 240 066)	(36 245 716)	(37 240 066)	(36 245 716)
Depreciation and amortisation	(69 948 636)	(43 348 628)	(68 332 297)	(41 524 679)
Employee benefits and related social insurance contributions	(37 852 060)	(32 207 089)	(29 658 752)	(24 889 271)
Repair and maintenance expense	(13 824 215)	(14 232 278)	(20 259 815)	(20 655 479)
Transport expense	( 429 116)	( 275 637)	(3 909 317)	(3 481 597)
Other gain (loss), net value	630 620	554 851	476 302	461 003
Other expenses	(11 372 771)	(10 905 204)	(12 163 110)	(12 335 349)
<b>Operating profit</b>	<b>(3 638 921)</b>	<b>9 346 203</b>	<b>(5 333 411)</b>	<b>8 448 348</b>
Finance income	179 657	158 406	179 982	158 463
Finance costs	(1 505 601)	(1 321 735)	(1 453 943)	(1 265 288)
Finance costs, net value	(1 325 944)	(1 163 329)	(1 273 961)	(1 106 825)
<b>Profit before tax</b>	<b>(4 964 865)</b>	<b>8 182 874</b>	<b>(6 607 372)</b>	<b>7 341 523</b>
Income tax expense	297 893	(1 256 643)	382 288	(1 139 942)
<b>Net profit</b>	<b>(4 666 972)</b>	<b>6 926 231</b>	<b>(6 225 084)</b>	<b>6 201 581</b>

### III. STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total equity
<b>Balance as of 31 December 2006</b>	492 404 653	1166 123 149	49 356 490	61 850 362	123 119 404	1892 854 058
Property, plant, and equipment revaluation reserve decrease	-	(49 621 986)	-	-	49 621 986	-
Transferred to reserves	-	-	52 730	98 356 916	(98 409 646)	-
Dividends for 2006	-	-	-	-	(34 468 326)	(34 468 326)
Accounting period profit	-	-	-	-	26 050 831	26 050 831
<b>Balance as of 30 June 2007</b>	492 404 653	1116 501 163	49 409 220	160 207 278	65 914 249	1884 436 563
Property, plant, and equipment revaluation reserve decrease	-	(55 923 103)	-	-	55 923 103	-
Revaluation of property, plant, and equipment	-	1003 249 627	-	-	-	1003 249 627
Calculated deferred income tax liabilities as a result of revaluation of property, plant and equipment	-	(150 487 444)	-	-	-	(150 487 444)
Accounting period profit	-	-	-	-	48 254 625	48 254 625
<b>Balance as of 31 December 2007</b>	492 404 653	1913 340 243	49 409 220	160 207 278	170 091 977	2785 453 371
Property, plant, and equipment revaluation reserve decrease	-	(86 345 355)	-	-	86 447 653	102 298
Transferred to reserves	-	-	107 188	175 961 305	(176 068 493)	-
Accounting period profit	-	-	-	-	8 419 868	8 419 868
<b>Balance as of 30 June 2008</b>	492 404 653	1826 994 888	49 516 408	336 168 583	88 891 005	2793 975 537



COMPANY	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total equity
<b>Balance as of 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>
Property, plant, and equipment revaluation reserve decrease	-	(49 621 986)	-	-	49 621 986	-
Transferred to reserves	-	-	-	97 946 746	(97 946 746)	-
Dividends for 2006	-	-	-	-	(34 468 326)	(34 468 326)
Accounting period profit	-	-	-	-	26 275 322	26 275 322
<b>Balance as of 30 June 2007</b>	<b>492 404 653</b>	<b>1109 035 088</b>	<b>49 240 465</b>	<b>158 521 273</b>	<b>73 430 540</b>	<b>1882 632 019</b>
Property, plant, and equipment revaluation reserve decrease	-	(55 010 409)	-	-	55 010 409	-
Revaluation of property, plant, and equipment	-	1003 249 627	-	-	-	1003 249 627
Calculated deferred income tax liabilities as a result of revaluation of property, plant and equipment	-	(150 487 444)	-	-	-	(150 487 444)
Accounting period profit	-	-	-	-	46 556 570	46 556 570
<b>Balance as of 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>
Property, plant, and equipment revaluation reserve decrease	-	(86 345 355)	-	-	86 447 653	102 298
Transferred to reserves	-	-	-	174 997 519	(174 997 519)	-
Accounting period profit	-	-	-	-	8 704 954	8 704 954
<b>Balance as of 30 June 2008</b>	<b>492 404 653</b>	<b>1820 441 507</b>	<b>49 240 465</b>	<b>333 518 792</b>	<b>95 152 607</b>	<b>2790 758 024</b>

## IV. CASH FLOW STATEMENT

	GROUP		COMPANY	
	30 Jun 2008	30 Jun 2007	30 Jun 2008	30 Jun 2007
<b>Operating activities</b>				
Net profit	8 419 868	26 050 831	8 704 954	26 275 322
Adjustments:				
– Profit tax	2 346 483	5 913 914	2 237 057	5 732 849
– Depreciation and amortization	141 411 520	87 068 080	138 209 025	83 156 899
– Retirement of assets	2 298 326	3 784 268	2 460 973	3 782 347
– (Reversal of)/impairment charge on property, plant, and equipment (PPE)	740 674	( 58 710)	740 674	( 58 710)
– (Reversal of)/impairment charge on accounts receivable	879 269	( 251 625)	878 473	( 249 026)
– (Reversal of)/impairment charge on inventory	298 169	161 410	201 848	( 75 387)
– Interest income	( 235 098)	( 366 705)	( 331 354)	( 485 844)
– Interest expense	3 267 223	2 555 100	3 204 583	2 476 376
– Dividend income	-	-	( 857 505)	( 421 836)
Changes in working capital:				
– reserves	727 834	(5 163 686)	1 414 304	(2 281 587)
– trade and other receivables	( 33 645)	3 444 455	2 347 331	4 351 199
– trade and other payables	(1 161 428)	19 968 094	(5 052 521)	18 150 644
Operating activities cash flows	158 959 195	143 105 426	154 157 842	140 353 246
Interest paid	(3 010 223)	(2 470 510)	(2 947 583)	(2 391 786)
Income tax paid	(8 535 644)	(14 046 047)	(8 350 770)	(13 991 136)
Net cash flows received from operating activities	147 413 328	126 588 869	142 859 489	123 970 324
<b>Investing activities</b>				
Acquisition of tangible and intangible non-current assets	(133 363 575)	(94 095 083)	(130 742 551)	(87 812 784)
Proceeds from sale of tangible and intangible non-current assets	652 114	688 461	485 495	412 258
Loans granted to subsidiaries	-	-	-	(3 000 000)
Loan repayments received	257 300	303 556	257 300	303 556
Interest received	235 098	366 705	331 354	485 844
Dividends received	-	-	857 505	421 836
Net cash flows from investing activities	(132 219 063)	(92 736 361)	(128 810 897)	(89 189 290)
<b>Financing activities</b>				
Loans received	24 169 600	-	24 169 600	-
Repayment of loans	(13 811 200)	-	(13 811 200)	-
Dividends paid to company shareholders	( 60 000)	(34 554 768)	( 60 000)	(34 554 768)
Net cash flows from financing activities	10 298 400	(34 554 768)	10 298 400	(34 554 768)
<b>Increase (decrease) of cash and cash equivalents (including overdraft)</b>	25 492 665	( 702 260)	24 346 992	226 266
Cash and cash equivalents (including overdraft) at the beginning 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>	(4 555 223)	(41 925 645)	(3 059 339)	(38 162 177)



## V. NOTES TO THE FINANCIAL STATEMENTS

### 1. General information

Rytų Skirstomieji Tinklai AB (hereinafter referred to as the Company) is a joint stock 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 Vilnius Stock Exchange (VSE). The address of the Company's registered office is:

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

As of 30 June 2008, the Company's two primary shareholders were Leo LT AB with 71.35 percent of the Company's shares and E.ON Ruhrgas International AG (Germany) with 20.28 per cent of the Company's shares. The remaining shares belong to different minor shareholders.

The main activity of the Company is supply and distribution of electricity. The Company is a public supplier obliged to supply electricity to the residents and entities, which have not chosen an independent electricity supplier, in the eastern part of Lithuania. The Company, owning medium and low voltage electricity network, is the sole provider of electricity distribution service to the consumers in the eastern part of Lithuania.

The Company was registered after reorganization of Lietuvos Energija SPAB. Following the Law on Reorganization of Lietuvos Energija SPAB, No. VIII-1693, adopted on 18 May 2000, Lietuvos Energija SPAB was reorganized by dividing. After the reorganization of Lietuvos Energija SPAB, which continues the activities as a joint stock company, its certain assets, rights and duties were transferred to newly established enterprises: Rytų Skirstomieji Tinklai AB, Vakarų Skirstomieji Tinklai AB (the name was changed to VST AB), Lietuvos Elektrinė AB and Mažeikių Elektrinė AB.

After the reorganization Lietuvos Energija AB continues the activities as an operator of transmission network and the market, whereas the Company and VST AB function as operators of distribution networks and public suppliers.

On 28 June 2007, the Parliament of the Republic of Lithuania adopted the Law on the Nuclear Power Plant, which set the procedure of implementation of a new nuclear power plant project establishing a national investor. On 14 February 2008, the Law on Amending and Supplementing the Law on the Nuclear Power Plant was passed, according to which the national investor shall be established on the basis of a new parent company transferring the State owned shares (or part thereof) of Rytų Skirstomieji Tinklai AB to the new parent company. On 27 May 2008, an agreement of the national investor LEO LT AB shareholders was signed. Immediately after that an extraordinary general shareholders' meeting of LEO LT AB was called, at which they decided to increase share capital of LEO LT AB by asset contribution from the Lithuanian Government and NDX Energija UAB; and shares of Rytų Skirstomieji Tinklai AB, Lietuvos Energija AB and VST AB.

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

#### *The consolidated group*

The consolidated group (hereinafter referred to as the Group) consists of the Company and its three subsidiaries. The subsidiaries included in the Group's consolidated financial accounting report are as follows:

Subsidiary	Country	Year established	Group's share (%) as of		Type of activities
			30 Jun 2008	31 Dec 2007	
Rytra UAB	Lithuania	2004	100	100	Provides transport rent services. Rents civil engineering and special purpose mechanisms, cargo and passenger vehicles
Elektros Tinklo Paslaugos UAB	Lithuania	2004	100	100	Provides electricity network, equipment maintenance, operation, repair services, performs interior electric installation work
Tetas UAB	Lithuania	2005	100	100	Provides specialised services: electricity network design, construction, repair and maintenance services, customer connections to the grid services

## 2. Summary of main accounting policies

Main accounting policies, which have been followed while preparing the present financial accounting report, are described below. These policies have been consistently applied to all presented annual periods, unless indicated otherwise.

### 2.1. Basis of composition

The present Group and Company financial accounting report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

### 2.2. Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Evaluating whether the Group has the power to govern another enterprise they consider presence and impact of existing or convertible potential voting shares. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

### 2.3. Property, plant and equipment

Property, plant and equipment is stated at a revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair values are defined according to periodically performed assessments by independent estimators. Any accumulated depreciation at the date of the revaluation is subtracted from the acquisition value of the property and the received amount forms the revalued value of the property. The latest revaluation was performed in 2007 and the revaluation results were registered in the statement of 31 December 2007.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve in shareholders' equity. Impairment, which covers previous value increase of the same property, is recognized directly in the Equity part by reducing revaluation reserve; all other impairments are recognized in the income statement. Each year the difference between depreciation calculated on revaluation (when the value increases) recognized in the income statement and the depreciation calculated at the initial acquisition value, is transferred from the revaluation reserve to the retained earnings. When the property is discarded or sold, all remaining value increase after revaluation is transferred from the revaluation reserve to the retained earnings.

### 2.4. Non-current intangible assets

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

### 2.5. Financial assets

The Group and the Company classify their financial assets for valuation purposes according to fair value in the following groups: financial assets calculated according to fair value in the Income statement, loans and receivables, investments prior to repayment and financial assets held for sale. The classification depends on the purpose of purchased financial assets, intentions of the management and on positions of the investments in the active market. The management sets the classification of financial assets on their initial recognition and later reviews the classification on the day of preparation of accountability, with the exception of the financial assets accounted according to fair value in the Income statement. Re-classification to or from this category after the initial recognition is prohibited.

### 2.6. Reserves

Inventories are stated at the lower of cost or net marketable 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 marketable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.7. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the amount of impairment loss. Impairment of trade receivables is recognised 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 carrying amount of the asset is reduced through the use of the impairment amount, and the amount of the loss is recognised in the income statement.



## 2.8. Cash and cash equivalents

For the purposes of 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 statement.

## 2.9. Trade and other payables

Trade payables are accrued when the counterparty performed 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 recognised initially 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.

## 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. Revenue of the Company is shown 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 assessable, when it is likely that the Group and the Company in future will have economic benefit and when certain criteria set for each type of activities of the Group and the Company are met as described below. The amount of revenue is not considered reliably assessable till all indeterminations related to a sale are solved.

## 3. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Other PPE	Construction in progress	Total
<b>GROUP</b>						
<b>31 December 2007</b>						
Cost or revaluation		4082 861 573	473 681 081	178 930 385	71 237 370	4806 710 409
Accumulated depreciation and impairment		(1070030296)	(141 063 596)	(66 496 683)	( 535 366)	(1278 125 941)
Net book amount		3012 831 277	332 617 485	112 433 702	70 702 004	3528 584 468
<b>01 January 2008</b>						
Opening net book amount		3012 831 277	332 617 485	112 433 702	70 702 004	3528 584 468
Additions	39 952	628 266	892 963	3 221 099	123 727 421	128 509 701
Disposals		(256 824)		( 6 588)		( 263 412)
Retirements		(2 161 805)	( 500 489)	( 24 734)		(2 687 028)
Reclassification		71 772 199	11 677 847	6 801 810	(90 251 856)	-
Reversal of impairment provision		55 793	400 829		9 015	465 637
Impairment charge				( 922 968)		( 922 968)
Depreciation		(109 575 208)	(16 271 371)	(13 174 092)		(139 020 671)
<b>Closing net book amount</b>	<b>39 952</b>	<b>2973 293 698</b>	<b>328 817 264</b>	<b>108 328 229</b>	<b>104 186 584</b>	<b>3514 665 727</b>
<b>30 June 2008</b>						
Cost or revaluation	39 952	3826 195 525	451 422 887	186 752 220	104 712 935	4569 123 519
Accumulated depreciation and impairment		(852 901 827)	(122 605 623)	(78 423 991)	( 526 351)	(1054 457 792)
Net book amount	39 952	2973 293 698	328 817 264	108 328 229	104 186 584	3514 665 727
<b>COMPANY</b>						
<b>31 December 2007</b>						
Cost or revaluation		4062 331 199	470 614 595	144 486 610	71 134 191	4748 566 595
Accumulated depreciation and impairment		(1068151918)	(140 140 768)	(51 487 057)	( 535 366)	(1260 315 109)
Net book amount		2994 179 281	330 473 827	92 999 553	70 598 825	3488 251 486
<b>01 January 2008</b>						
Opening net book amount		2994 179 281	330 473 827	92 999 553	70 598 825	3488 251 486
Additions	39 952	1 070 865	405 726	399 921	123 682 419	125 598 883
Disposals		(256 248)		( 3 209)		( 259 457)
Retirements		(2 161 806)	( 500 489)	( 24 717)		(2 687 012)
Reclassification		71 772 199	11 677 846	6 698 630	(90 148 675)	-
Reversal of impairment provision		55 793	400 829		9 015	465 637
Impairment charge				( 922 967)		( 922 967)
Depreciation		(109 024 857)	(16 018 640)	(10 776 066)		(135 819 563)
<b>Closing net book amount</b>	<b>39 952</b>	<b>2955 635 227</b>	<b>326 439 099</b>	<b>88 371 145</b>	<b>104 141 584</b>	<b>3474 627 007</b>
<b>30 June 2008</b>						
Cost or revaluation	39 952	3805 900 908	447 869 163	149 526 088	104 667 935	4508 004 046
Accumulated depreciation and impairment		(850 265 681)	(121 430 064)	(61 154 943)	( 526 351)	(1033 377 039)
Net book amount	39 952	2955 635 227	326 439 099	88 371 145	104 141 584	3474 627 007



#### 4. Non-current intangible assets

	Software, licences	Other assets	Total
<b>GROUP</b>			
<b>31 December 2007</b>			
Cost	18 677 769	448 737	19 126 506
Accumulated depreciation	(8 033 510)	( 392 342)	(8 425 852)
Net book amount	10 644 259	56 395	10 700 654
<b>30 June 2008</b>			
Opening net book amount	10 644 259	56 395	10 700 654
Additions	1 051 020		1 051 020
Depreciation	(2 360 096)	( 30 753)	(2 390 849)
Residual value of assets sold			-
Residual value of discarding property			-
Closing net book amount	9 335 183	25 642	9 360 825
<b>30 June 2008</b>			
Cost	19 718 589	448 737	20 167 326
Accumulated depreciation	(10 383 406)	( 423 095)	(10 806 501)
Net book amount	9 335 183	25 642	9 360 825
<b>COMPANY</b>			
<b>31 December 2007</b>			
Cost	18 670 886	448 737	19 119 623
Accumulated depreciation	(8 032 425)	( 392 342)	(8 424 767)
Net book amount	10 638 461	56 395	10 694 856
<b>30 June 2008</b>			
Opening net book amount	10 638 461	56 395	10 694 856
Additions	1 043 210		1 043 210
Depreciation	(2 358 710)	( 30 753)	(2 389 463)
Residual value of assets sold			-
Residual value of discarding property			-
Closing net book amount	9 322 961	25 642	9 348 603
<b>30 June 2008</b>			
Cost	19 703 896	448 737	20 152 633
Accumulated depreciation	(10 380 935)	( 423 095)	(10 804 030)
Net book amount	9 322 961	25 642	9 348 603

#### 5. Non-current receivables and prepayments

	GROUP		COMPANY	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
Prepayments for PPE and intangible assets	1 595 870	3 565 233	1 595 870	3 565 233
Loans granted	3 066 706	3 171 006	3 066 706	3 171 006
	4 662 576	6 736 239	4 662 576	6 736 239

#### 6. Inventories

	GROUP		COMPANY	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
Materials and spare parts	8 638 129	8 308 069	2 489 454	2 735 634
Electric meters	857 354	2 191 061	852 971	2 186 678
Fuel	301 693	246 960	8 019	6 093

Other	392 268	318 705	142 910	152 479
Inventory write-down allowances	(2 564 493)	(2 373 873)	(1 829 451)	(1 760 860)
	7 624 951	8 690 922	1 663 903	3 320 024

#### 7. Trade and other receivables

	GROUP		COMPANY	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
Trade receivables	106 710 874	115 362 336	105 091 735	114 279 061
Receivables from subsidiaries	-	-	4 622 295	4 273 237
Loans granted	365 519	369 694	365 519	369 694
Prepaid and recoverable taxes, other than income tax	9 784	379 762	9 784	379 302
Accrued income and deferred expense	1 184 493	1 576 880	746 921	1 487 204
Other receivables	10 082 900	1 496 964	9 828 644	1 402 176
Less: impairment provision	(18 827 008)	(18 509 000)	(18 784 057)	(18 471 863)
	99 526 562	100 676 636	101 880 841	103 718 811

#### 8. Cash and cash equivalents

	GROUP		COMPANY	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
Bank	549 688	3 737 295	234 159	3 497 851
Petty cash fund	56 375	116 785	56 375	116 785
Cash in transit	562 830	272 780	562 830	272 780
	1 168 893	4 126 860	853 364	3 887 416

Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	GROUP		COMPANY	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
Cash and cash equivalents	1 168 893	4 126 860	853 364	3 887 416
Bank overdraft	(5 724 116)	(34 174 748)	(3 912 703)	(31 293 747)
	(4 555 223)	(30 047 888)	(3 059 339)	(27 406 331)

#### 9. Other long term liabilities

	GROUP		COMPANY	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
Deferred income of customer connection fees	128 799 732	102 387 645	128 799 732	102 387 645
Grants, subsidies	7 822 215	7 406 522	7 822 215	7 406 522
Other long term liabilities	10 252 060	8 766 978	10 252 060	8 766 978
	146 874 007	118 561 145	146 874 007	118 561 145



**10. Trade and other payables**

	GROUP		COMPANY	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
Trade payables	117 105 851	163 659 142	120 187 774	167 045 148
Advances received	61 944 654	58 223 869	61 912 166	58 208 521
Deferred income of customer connection fees	2 227 688	3 590 862	2 227 688	3 590 862
Accruals and deferred income	7 295 324	6 725 634	5 730 370	5 101 692
Taxes other than income tax	7 312 839	4 661 285	4 800 921	2 883 086
Other current liabilities	4 764 150	620 792	3 246 681	616 634
	200 650 506	237 481 584	198 105 600	237 445 943

**11. Borrowings**

	GROUP		COMPANY	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
<b>Non-current</b>				
Bank borrowings	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>Current</b>				
Bank overdraft	5 724 116	34 174 748	3 912 703	31 293 747
Bank borrowings	15 602 052	19 054 852	15 602 052	19 054 852
	21 326 168	53 229 600	19 514 755	50 348 599
	130 973 285	149 065 517	129 161 872	146 184 516

**12. Proceeds from sale**

Proceeds from sale are the proceeds received from the sale of electricity.