

VST

KAD GYVENTI BŪTŲ ŠVIESIAU

VST, AB

Annual Prospectus – Report of the year 2007

BUSINESS PHILOSOPHY

OUR MISSION

We are working to ensure the supply of electric energy in western Lithuania.

OUR VISION

We are seeking to become the best provider of regulated services in Lithuania.

OUR VALUES

PROFESSIONALITY AND RESPONSIBILITY:

We keep improving and are open for new things. We leave no space for mediocrity and negligence. Our priority is the capability to see several steps ahead and the wish to become the best. Relationship with the customer, the society and the colleagues is based on responsibility, mutual trust and understanding.

QUALITY:

We guaranty safe and reliable exploitation of the electric power network, supply and distribution of electric power. We aim to turn our work into the best business practice and the services we provide to be of the top quality. We are open for criticism; we see our mistakes and take lessons from them. We aim for qualitative and effective service for our internal and external customers. Our clients and partners are the main valuator of our activity and provided services.

TEAM WORK:

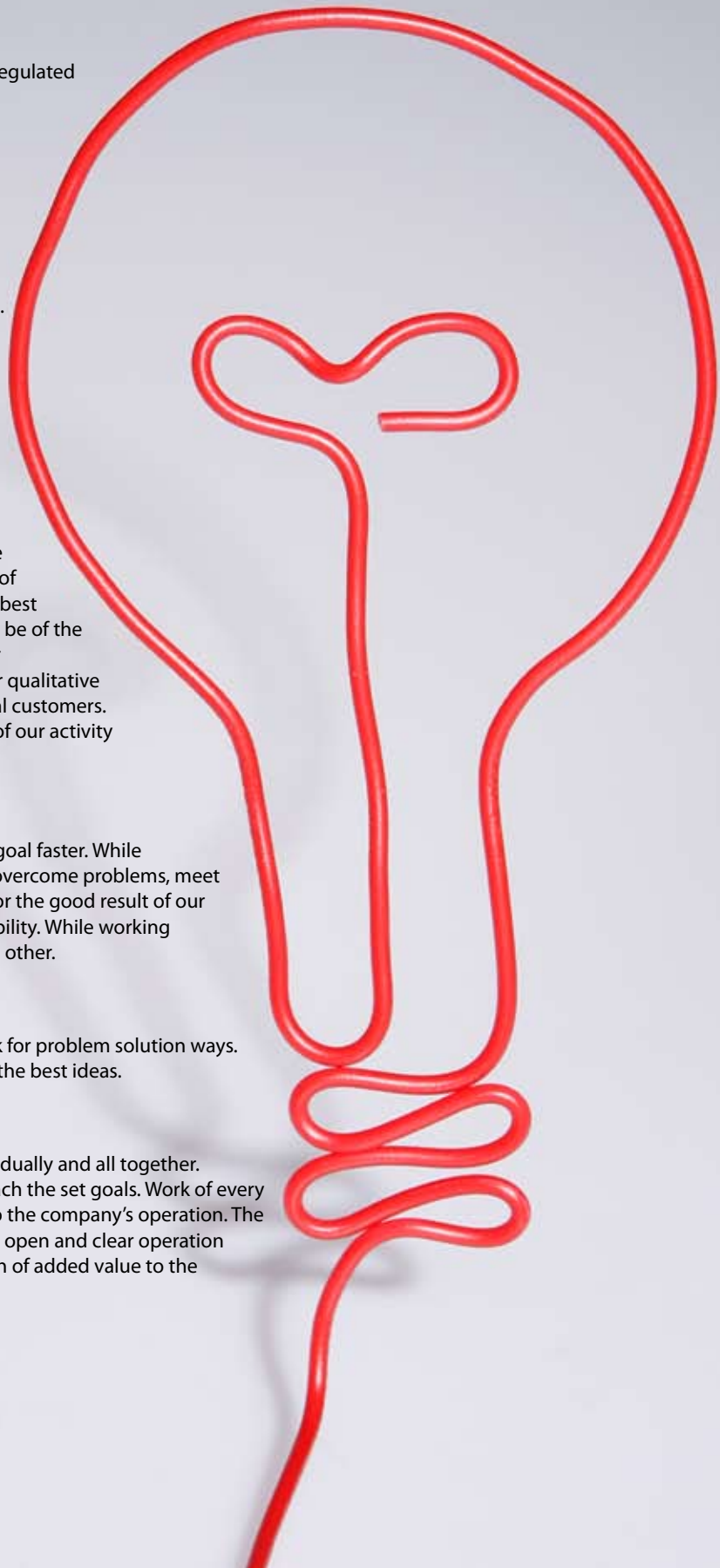
We are a team. Working as a team we reach our goal faster. While sharing our knowledge and experience we can overcome problems, meet challenges and find the best solutions. Aiming for the good result of our work we are aware of our function and responsibility. While working together we aim to be reliable and support each other.

INITIATIVE:

We are ready for new challenges, active and look for problem solution ways. We encourage creativity and always implement the best ideas.

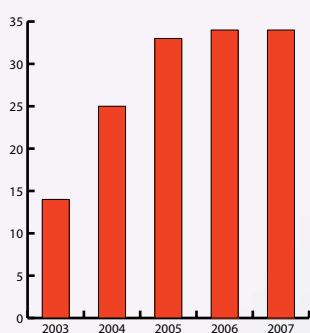
EFFICIENCY:

We seek for the efficiency of the operation individually and all together. Directed orientation toward the result lets us reach the set goals. Work of every one of us is important and it adds to the value to the company's operation. The stability and reliability of the company as well as open and clear operation of it and improving results guaranties the growth of added value to the shareholders of the company.

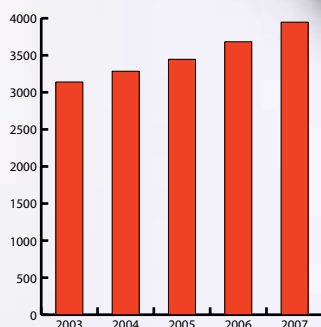


Operational summary

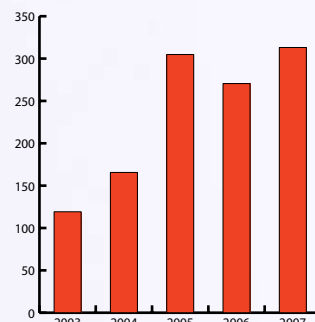
EBITDA, percent by turnover



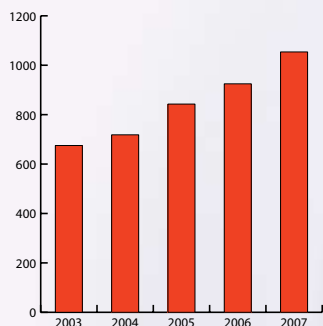
Sales, kWh million



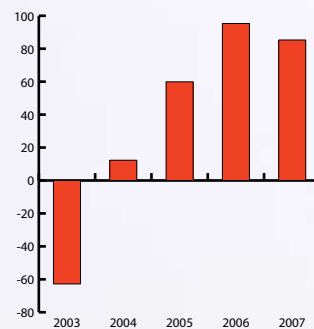
Net cash flows from operating activities, LTL million



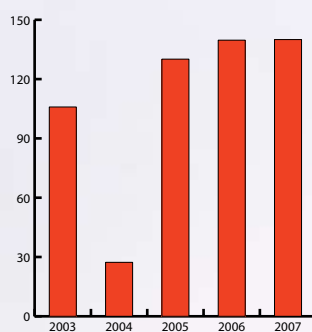
Net sales, LTL million



Operating profit, LTL million



Investments, LTL million



CONTENT

LETTER TO SHAREHOLDERS.....	5
GENERAL PROVISIONS.....	8
INFORMATION ON THE MANAGING BODIES OF THE ISSUER.....	10
INFORMATION ABOUT THE SHARE CAPITAL OF THE ISSUER AND THE ISSUED SECURITIES.....	15
DATA ON THE SECONDARY CIRCULATION OF THE SECURITIES ISSUED BY THE ISSUER.....	18
DATA ON THE ACTIVITY OF THE ISSUER.....	22
HISTORY OF THE VST, AB.....	22
VST, AB'S DISTRIBUTION NETWORK.....	23
MEMBERSHIP OF ORGANISATIONS.....	24
SOCIAL RESPONSIBILITY.....	24
ENVIRONMENTAL PROTECTION.....	25
EMPLOYEES.....	25
CUSTOMERS.....	27
FACTORS AFFECTING OPERATIONS OF THE COMPANY.....	27
FINANCIAL RISK MANAGEMENT.....	28
COMPETITION.....	29
SUPPLY.....	29
INVESTMENTS INTO RENOVATION AND DEVELOPMENT OF THE NETWORK.....	30
REAL ESTATE AND CONSTRUCTION IN PROGRESS.....	31
PATENTS, LICENCES, CONTRACTS AND CIVIL CLAIMS.....	32
FINANCIAL ACCOUNTABILITY.....	36
GENERAL FINANCIAL INDICATORS.....	40
EXPLANATORY LETTER.....	41
ESSENTIAL EVENTS IN THE ACTIVITY OF THE ISSUER.....	45

Dear Shareholders of VST, AB,

Last year saw the achievement of excellent results in many areas. In order to realise our most ambitious goal – to become the best regulated service provider by 2010 – we will continue progressing at a rate which is increasingly faster every year.

Excellent achievements of the last year resulted from the efforts of the entire team. All those who prepared technical specifications ahead of schedule, who did not spare efforts and time to effectively restore the electric power supply, who provided professional assistance to customers - contributed to the success and good rating of our company.

The company has been heading in the same strategic direction for three years already. In 2008, it will continue to consistently improve the quality of services provided, reduce electricity consumption and expenditure on in-house needs, combat thieves of electricity cables and transformer oil, simplify and shorten the procedures for the provision of services, and develop new services.

Most Technical Specifications Issued on Time

Last year, considerable progress has been made in the area of issue of technical specifications, with the majority (91.68%) of specifications being issued on time. The issue process has been somewhat slow only at Klaipėda, Kretinga and Gargždai branches. Due to the situation at these branches the overall result was not as good as expected. We expect that these branches will catch up with the others this year.

Last year, in order to achieve the maximum result – to issue technical specifications within 10 working days – seminars were held, constant telephone conference calls on the matters of connection of new customers and issue of technical specifications organized and extended powers granted to the branches in the drawing up of technical specifications.

The target for the timely issue of technical specifications in 2008 is by one percent higher than that set for 2007. It may seem to be an insignificant step toward the goal but if 96% of technical specifications are issued on time this year, this would be a very good result and an excellent evaluation of work.

Targeted and Rapid Cutting of Costs

Last year good results were achieved in the area of reduction of electric power costs and of expenditure for own needs (- 0.56%). For many years already the company has been consistently putting forth efforts to cut the costs: obsolete power metering equipment is being replaced, regular checks of metering equipment are carried out, electric power consumption analyses are made, the metering equipment is installed externally, meter readings are recorded, maintenance of medium-voltage transformers is carried out etc.

This year we plan to cut the costs by 0.3%. This target is achievable by a purposeful work.

We Cannot Afford Stealing Any More

Last year the company reduced the oil theft rates by 63% by filling transformers with modified oil. This result has surpassed the highest expectations. However, the wire theft statistics remain saddening. We did not manage to lower the rate of such thefts; on the contrary, their number has grown considerably last year. Year after year the company has been making attempts to prevent thefts and to protect its assets and customers against potential power supply disruptions, however,



VST, AB Chief Executive Officer Aidas Ignatavičius

one must admit that the theft problem has not been resolved as yet. Last year the wire theft rates increased by as much as 8%. We cannot afford stealing any more.

The wire theft rates have grown due to increased metal buy-up prices (in recent years the price for aluminium wire scrap has increased by LTL 2.5 per kg on average). Actual prevention of thefts is one of the key objectives of our team. The preventive methods to be implemented include the filling of the company's transformers with modified oil, increasing public awareness of the threats posed by using modified oil, spot checks of metal scrap buying points, reinforcing the protection of transformer substations etc.

SAIDI and SAIFI Improvement: the Main Goal

The importance of results achieved in the area of SAIDI and SAIFI reliability indices cannot be overestimated. The indices play a key role in the attainment in the corporate strategic objectives as interruptions in power supply lead to loss of income; if failures in the power system are not eliminated for a long time, the corporate image is damaged and customers remain dissatisfied.

Therefore, last year modifications of Betira database were made and data were analysed on an ongoing basis in order to identify the factors determining failures and interruptions; stricter control over the data entry and responsibility for the correctness of data was introduced. However, some problems remain in the areas of planning and organisation of scheduled works, contractor management, periodic maintenance of electrical installations, and identification and elimination of bottlenecks.

A decision has been adopted to leave the SAIDI and SAIFI indices for 2008 unchanged. All the efforts and resources available will be mobilised for the improvement of the reliability indices. Even a slight progress in this area would serve as a proof that there are real opportunities for us to become the best regulated service provider by 2010.

Employees as Ambassadors of the Company

Recognition of the company has increased and last year was 81% among residents and as much as 98% among companies. Our company is already widely recognised and known in western Lithuania. This is owing to our employees who communicate with the current and potential customers on a daily basis. The employees act as ambassadors of the company, disseminating knowledge about the company, its activities and prospects to the public.

Both recognition of the company and customer satisfaction has increased last year (customer satisfaction rate was 82.7%). In order to consistently improve customer satisfaction, last year we established 4 modern customer service centres in Kretinga, Kaišiadorys, Pakruojis and Gargždai and organised trainings and certification of front-office personnel (managers, control centre operators, engineers, administrators etc.). "Secret customer" and service quality evaluations were carried out, followed by discussions of results with the employees.

Two new services were presented to customers last year. A single bill service was introduced: a single agreement on sale – purchase of electric power is concluded with corporate customers that have more than one energy-consuming facility in the area serviced by VST. The single bill service was launched last year for customers' convenience

Last May the company introduced a new service of automatic meter reading for corporate customers with automated meters. Data are collected from metering devices automatically and bills are issued on the bases of actual monthly consumption. This saves time for our customers.

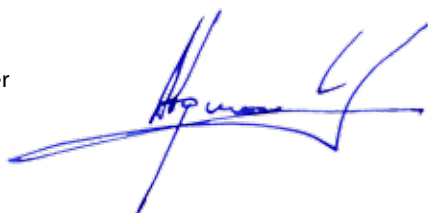
Employees' initiative and ideas were made use of in the process of development of customer service principles as part of improvement of the efficiency and professionalism with which our customers are served. The key customer service principles have been designed by the employees themselves and are used by the front-office personnel in their daily work.

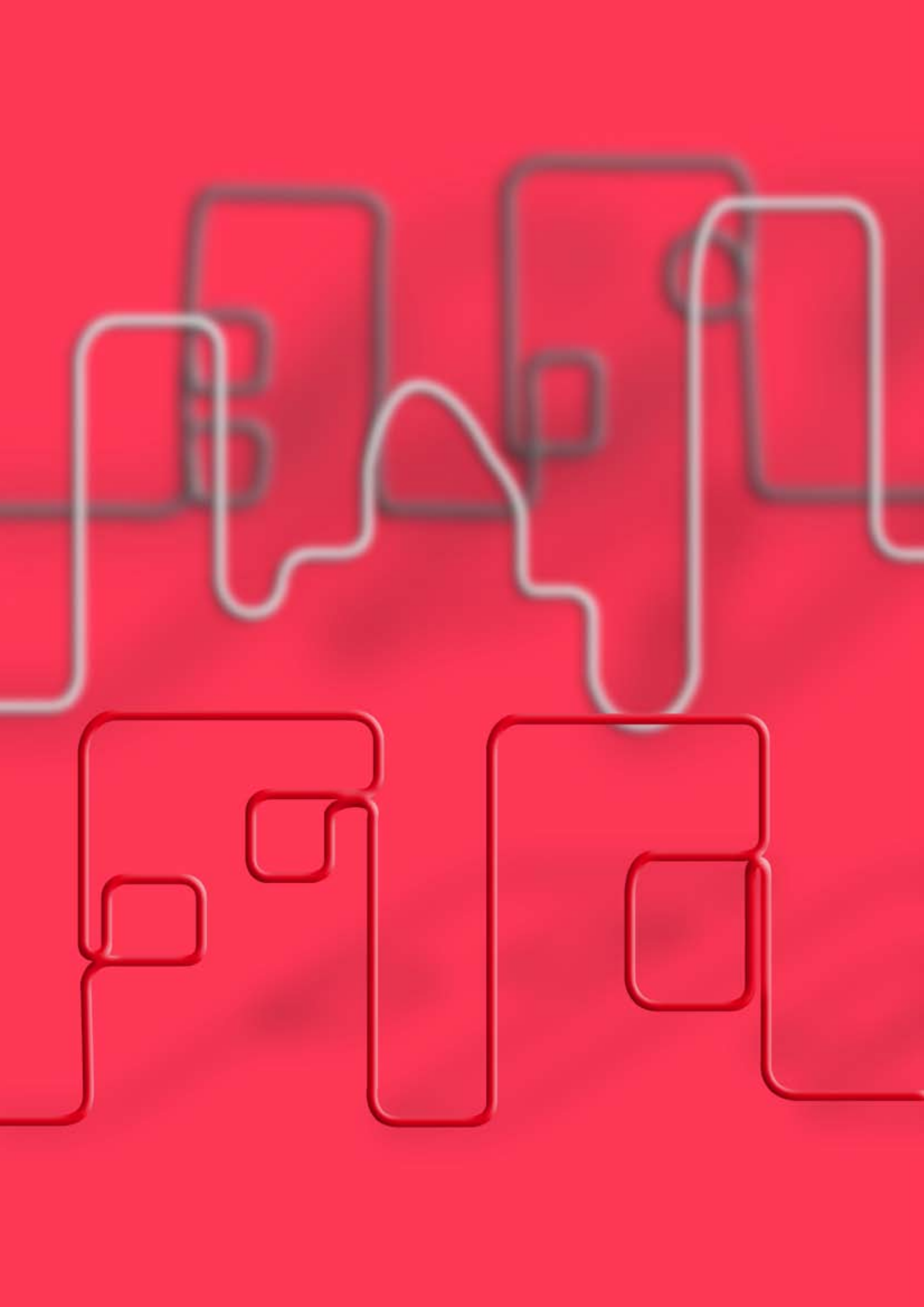
We will strive for further increase in the corporate visibility and customer satisfaction in 2008, the target customer satisfaction rate being 85%.

To sum up, it should be emphasised that the strategic objectives remain unchanged for 2008. They should not be changed every year and we must work consistently to achieve them. This will ensure that our ultimate goal is realised and we are the best in 2010.

Aidas Ignatavičius

Chief Executive Officer





General Provisions

Accounting period covered by the Annual Report

The Report has been prepared for the year 2007 (the financial year of the company corresponds to the calendar year).

Key data on the Issuer

Name of the company:	VST, AB
Address of its headquarters:	J. Jasinskio str. 16 C, LT-01112, Vilnius
Telephone:	(8 5) 278 12 59
Fax:	(8 5) 278 12 69
E-mail address:	vst@vst.lt
Website:	www.vst.lt
Share capital:	111 539 940 LTL
Legal-organizational form:	Legal body, joint stock company
Registration with the Register of Enterprises:	
- Place of registration	Ministry of economy
- Date of registration:	December 31, 2001
- Register code:	1108 70748
- Former code:	1087074
Registrant of the Register of legal bodies:	State Enterprise Centre of registers

Nature of the main activity

Branch of Economy:	Energy sector
Main production:	Distribution of electric energy via medium and low voltage network and the electricity supply services for public consumers

VST, AB in its operation follows the listed legal acts:

- Law on joint stock companies of the Republic of Lithuania;
- Law on the Electricity of the Republic of Lithuania;
- Energy Law of the Republic of Lithuania;
- Law on the securities of the Republic of Lithuania;
- Law on the financial instruments market of the Republic of Lithuania;
- Other laws of the Republic of Lithuania as well as Governmental regulations;
- The Bylaws of the Company and its amendments.



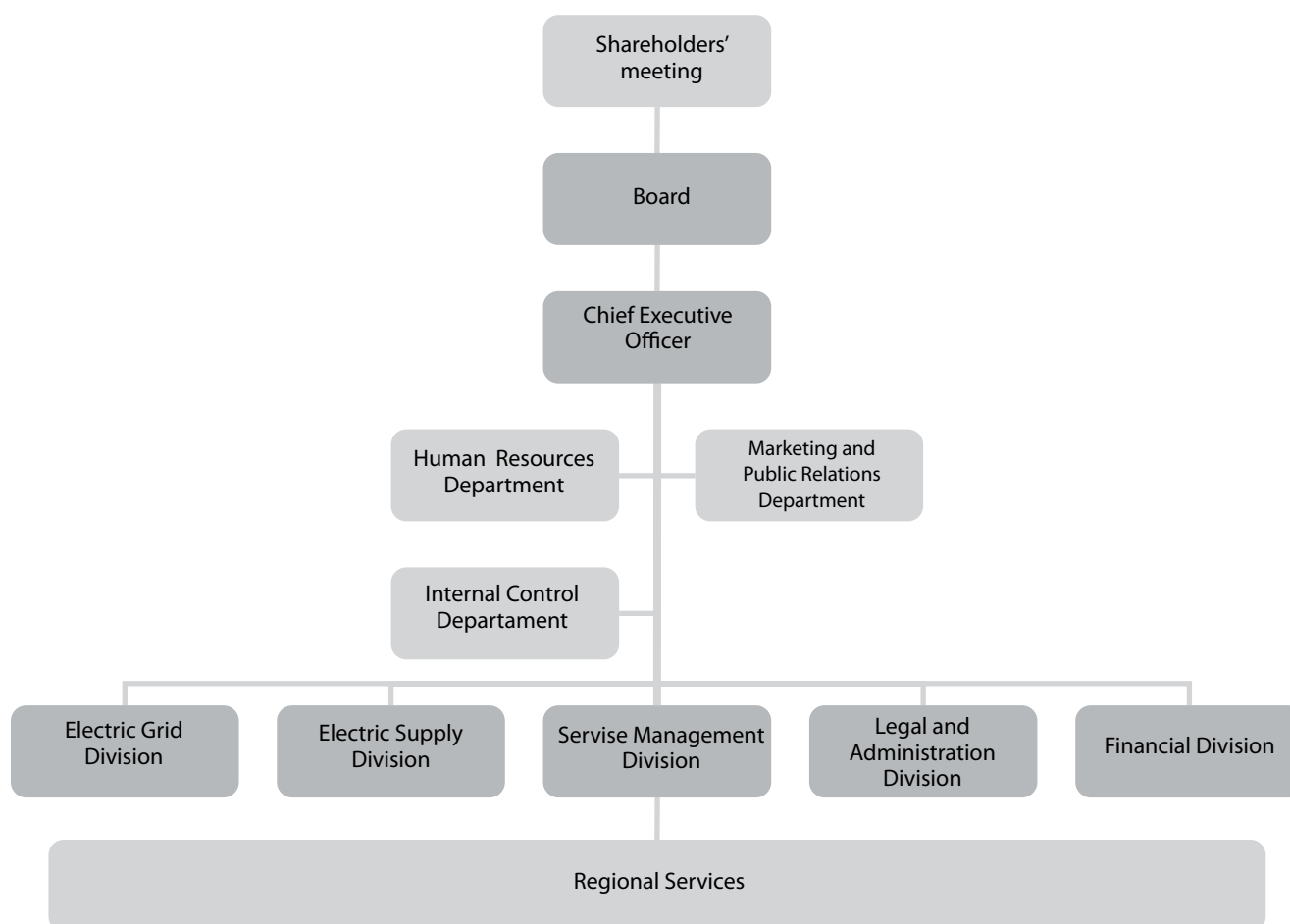


Information on the Managing Bodies

Members of the managing bodies

The managing bodies of the company are general meeting of the shareholders, the Board and Managing Director.

VST, AB Managements bodies



The last amendments of the Bylaws of the company (dated January 18, 2007) sets forth that the Board consists of 5 members. The members of the Board with the Office term of 4 years are elected by the general meeting of the shareholders.

Managing Director is appointed and recalled by the Board of the Company.



Aidas IGNATAVIČIUS

Position:
Chairman of the Board, Chief Executive Officer

Works within the company:
From the 22nd of November, 2004

Background:
Vilnius University, Faculty of Humanities in Kaunas. Bachelor's and Master's degrees in Management and Business Administration.

Career:
Previous position – Head of Business clients Department /AB Bank "Hansabankas".



Lina MINDERIENĖ

Position:
Member of the Board, Chief Financial Officer

Works within the company:
From 15th of February, 2005

Background:
University education. Vilnius University, Faculty of Economic. Economist.

Career:
Previous position – AB Bank "Hansabankas", Financial adviser.



Gytis KUNDROTAS

Position:
Member of the Board, Director Legal and Administration Division

Works within the company:
From the 15th of March, 2004

Background:
Vilnius University, Faculty of Law. Holds Master's degrees.

Career:
Previous position– AB Bank "Hansabankas", Legal department's legist.



Rytis BORKYS

Position:
Member of the Board, Director Electric Grid Division

Works within the company:
From the 17th of November, 1993

Background:
University education – Kaunas University of Technology, Engineer – electro mechanic

Career:
Started working within the company after studies. Positions – electrical fitter, electrical fitter of the rapid response team, foreman, senior supervisor, deputy head of the division, director of the division.

The Board is elected till October 26, 2011 by the general meeting of the shareholders.

Full name	Position	Share of owned capital, %	Share of votes, %
Aidas Ignatavičius	Chairman	-	-
Rytis Borkys	Member	0 %	0 %
Gytis Kundrotas	Member	-	-
Lina Minderienė	Member	-	-

Administration

Full name	Position	Share of owned capital, %	Share of votes, %
Aidas Ignatavičius	Chief Executive Officer	-	-
Rimantas Bartuška	Chief Accountant, Accounting Department Manager	-	-

The company doesn't have a supervisory board.

Chairman of the Board (Chief Executive Officer) – **Aidas Ignatavičius**.

Education (profession)	Former employers in last 10 year	Positions	Data about criminal records for business crimes
University education. Vilnius University, Faculty of Humanities in Kaunas Bachelor's and Master's degrees in Management and Business Administration.	1997-2000 AB "Vilnius bank", Kaunas branch	Account manager	None
	2000 AB "Vilnius bank"	Chief manager of the Department of Business clients Big clients section	
	2001 – 2004 AB bank "Hansabankas"	Head of Business clients department	

Chief Accountant, Accounting Department Manager – **Rimantas Bartuška**.

Education (profession)	Former employers in last 10 year	Positions	Data about Data about criminal records for business crimes
Lithuanian University of Agriculture, Faculty of Economics and Management, Department of Accounting and Finance - Bachelor of Accounting and Finance. Kaunas University of Technology, Faculty of Economics and Management, Department of Finance – Master of Finance Management.	1999-2001 Joint Stock Company "Lietuvos Energija"	Accountant	None
	2001-2002 Joint Stock Company "Lietuvos Energija"	Economist	
	2002-2004 Joint Stock Company "Vakarų Skirstomieji Tinklai"	Managing accountant	
	2004-2005 Joint Stock Company "VST"	Chief accountant at interim	
	2005-2007 Joint Stock Company "VST"	Deputy chief accountant	

Information on participation in other companies and organisations; over 5% shareholdings in other companies

Full name	Name of the company, institution or organisation, position	Share of owned capital, %	Share of votes, %
Aidas Ignatavičius	-	-	-
Rytis Borkys	-	-	-
Gytis Kundrotas	-	-	-
Lina Minderienė	-	-	-
Rimantas Bartuška	-	-	-

Information on the salaries, bonuses and other payments from profit in average amounts per one person

2007 year	Salary, LTL	Bonus, LTL	Other payments from profit, LTL
In average per one member of the Board*	-	-	-
Totally for all Board members*	-	-	-
In average per one member of Administration	241 811	-	-
Totally for all members of Administration	483 622	-	-

* Members of the Board receives salary for the director's position they execute.



Information about the share capital of the issuer and the issued securities

Share capital registered in the Register of companies

405 261 782 LTL (registration date: December 31, 2001)

2 717 998 LTL (registration date: December 2, 2004)

111 539 940 LTL (registration date: April 26, 2005)

After 26/04/2005

Type of shares	Number of shares	Par value (LTL)	Total par value (LTL)	Part in the share capital (%)
Ordinary registered shares	3 717 998	30	111 539 940	100.0
Total:	3 717 998	-	111 539 940	100.0

All shares of the company are fully paid.

Total number of the shareholders

The number of the shareholders in the second ordinary general meeting of the accounting day (June 06, 2008) was around – 4135.

The biggest shareholders, which hold under ownership right or control more than 5 percent of the share capital of the Issuer.

Full names of the shareholders (names of companies, types, headquarter addresses, compa- nies' registre code)	Number of ordinary registered shares, pcs .		Part of the share capital and votes, percent		
	Total	Including shares owned by the shareholders under the ownership right	Total	Including ordinary registered shares hold by a shareholder under the ownership right	Together with persons acting in corporate, percent
LEO LT, AB Žvejų str. 14A, LT-09310 Vilnius, 301732248	3 610 159	3 610 159	97.10	97.10	-

Key characteristics of the publicly traded securities

From the start of company's operation till 04/06/2004 the share capital of 405 261 782 LTL, which has been divided into 405 261 782 ordinary registered shares, was registered at the Register of enterprises. The par value of one share was 1 Lt.

After 04/06/2004 the share capital was divided into 3 717 998 ordinary registered shares with the par value of each – 109 LTL.

After 02/12/2004 the share capital was divided into 3 717 998 ordinary shares with the par value of each 1 LTL.

After 26/04/2005 it was divided into 3 717 998 ordinary registered shares with the par value of each 30 LTL.

All shares of the company are fully paid. The share capital of the company during 2005 has increased from 3 717 998 Lt to 111 539 940 LTL (30 times). All shares issued by the company are registered for public trade.

Data on non-publicly traded shares

The company has not issued any shares for non-public circulation.

Data on depository notes issued on the basis of shares

The company does not have any depository notes issued on the basis of shares.

The main characteristics of debt securities issued for public circulation of securities

The company has not issued debt securities for public circulation.

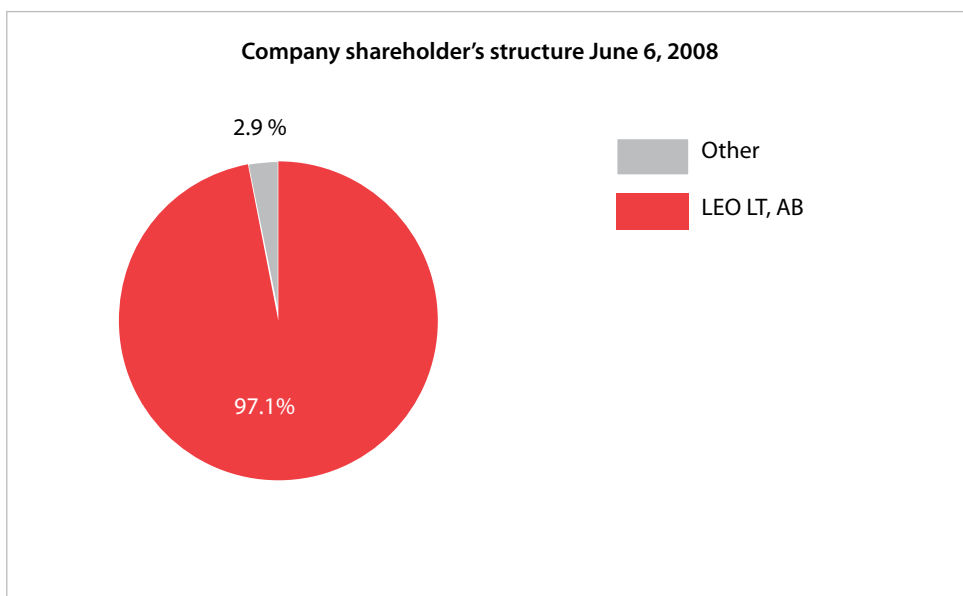
Data on non-publicly traded debt securities

The company has not issued debt securities for non-public circulation.

Securities that do not mark participation in the share capital, but the circulation of which is governed by the Law on the Securities Market, with the exception of debt securities

The company has not issued any securities that do not mark participation in the share capital.

Ordinary registered shares of the VST, AB are included into the list of Vilnius Stock Exchange.





Data on the secondary circulation of the securities by the issuer

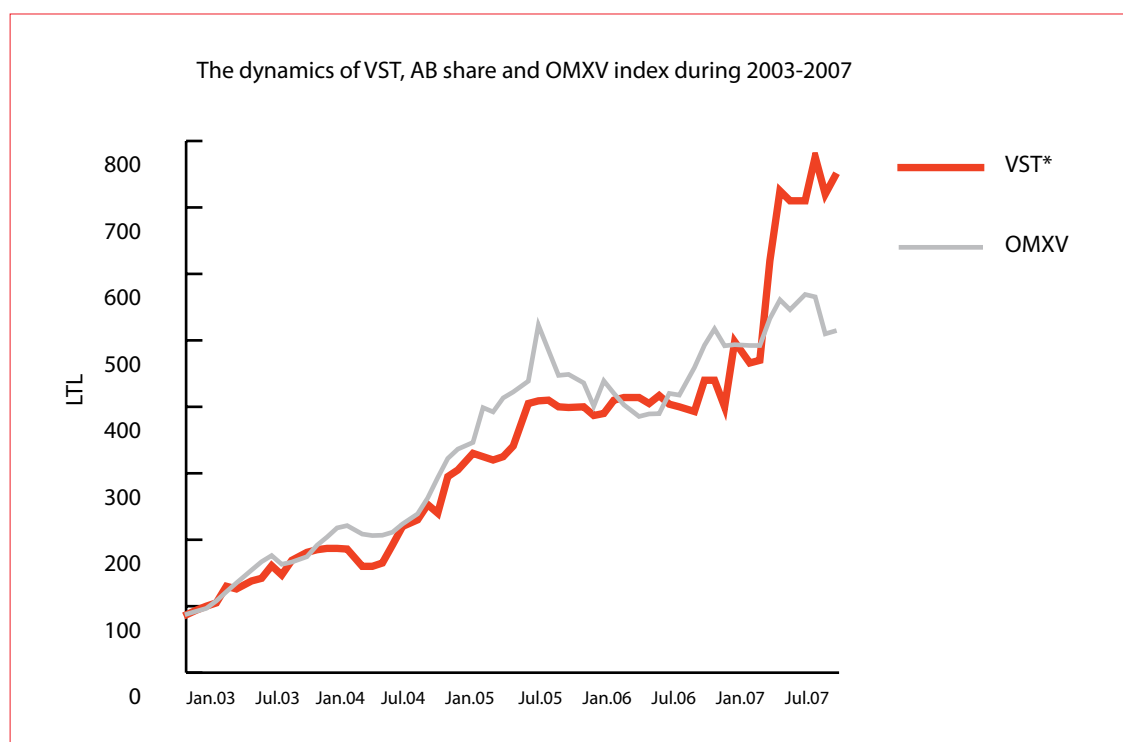
Securities included into the trade lists of stock exchanges

Ordinary registered shares of the VST, AB (from 02/12/2004 – 3 717 998 pcs., total par value 3 717 998 LTL, from 26/04/2005 – 3 717 998 pcs., total par value 111 539 940 LTL) are included into the list of Vilnius Stock Exchange. Security code is 12637.

ISIN code	Sales list	Number of shares, pcs.	Par value of a share, LTL	Total par value, LTL
LT0000126377	BALTIC I-LIST	3 717 998	30	111 539 940

Trading in Vilnius Stock Exchange

The average price per VST share in 2007 (arithmetic average of closing price) is LTL 600. In 2007, the lowest share price was LTL 400, the highest LTL 850. The dynamics of the share price (average monthly price in LTL) and the dynamics of OMXV¹ index in 2003-2007 are shown below.



* The VST share price as shown in the graph has been adjusted to reflect changes in the authorised capital.

Source: www.baltic.omxgroup.com

¹ The OMXV index is a cap-weighted index based on the principles of going concern and return on shares. It covers all the shares of the companies listed on the Vilnius Stock Exchange's Official and Secondary Lists except for companies in which a single shareholder controls 90% or more of the issued shares. The index is designed to reflect the current situation and dynamics at the Vilnius Stock Exchange. The base date for OMXV is 31 December 1999 and the base value is 100 points. The index is presented as a return index (RI).

Daily sales in VST during 2005 – 2007

Report period	Price (LTL)				Turnover (LTL)			Data of last session	Quarterly turnover	
	Average	max	min	Last session	max	min	Last session		Pcs.	LTL
1st quarter, 2005	297	330	240	330	256 169	0	0	31/03/2005	6 526	1 911 853
2nd quarter, 2005	323	350	317	325	106 107	0	12 670	30/06/2005	2 804	898 592
3rd quarter, 2005	376	420	320	409	210 011	0	0	30/09/2005	3 531	1 261 849
4th quarter, 2005	404	425	371	399	259 355	0	7 980	30/12/2005	1 929	773 153
2005	350	425	371	399	259 355	0	7 980	30/12/2005	14 790	4 845 447
1st quarter, 2006	397	430	370	390	79 345	0	3 900	31/03/2006	1 689	675 085
2nd quarter, 2006	405	415	380	414	143 606	0	8 224	30/06/2006	2 308	933 388
3rd quarter, 2006	406	417	390	404	530.400	0	4 838	29/09/2006	2 585	1 040 556
4th quarter, 2006	405	440	385	440	558 614	0	22 700	29/12/2006	3 476	1 410 439
2006	403	440	370	440	558 614	0	22 700	29/12/2006	10 058	4 059 468
1st quarter, 2007	431	499	400	498	162 051	0	0	30/03/2007	2 494	1 108 261
2nd quarter, 2007	490	625	450	620	560 685	0	123 033	29/06/2007	3 407	1 653 407
3rd quarter, 2007	719	825	599	710	736 456	0	23 430	28/09/2007	4 809	3 430 234
4th quarter, 2007	768	850	695	748	364 090	0	0	28/12/2007	2 274	1 786 061
2007	606	850	400	748	736 456	0	0	28/12/2007	12 984	7 977 964

Sales of Issuer's securities outside the Stock Exchange

The shares of the VST, AB are sold in Current list of VSE. The sales are only possible on the Central market and/or direct deals.

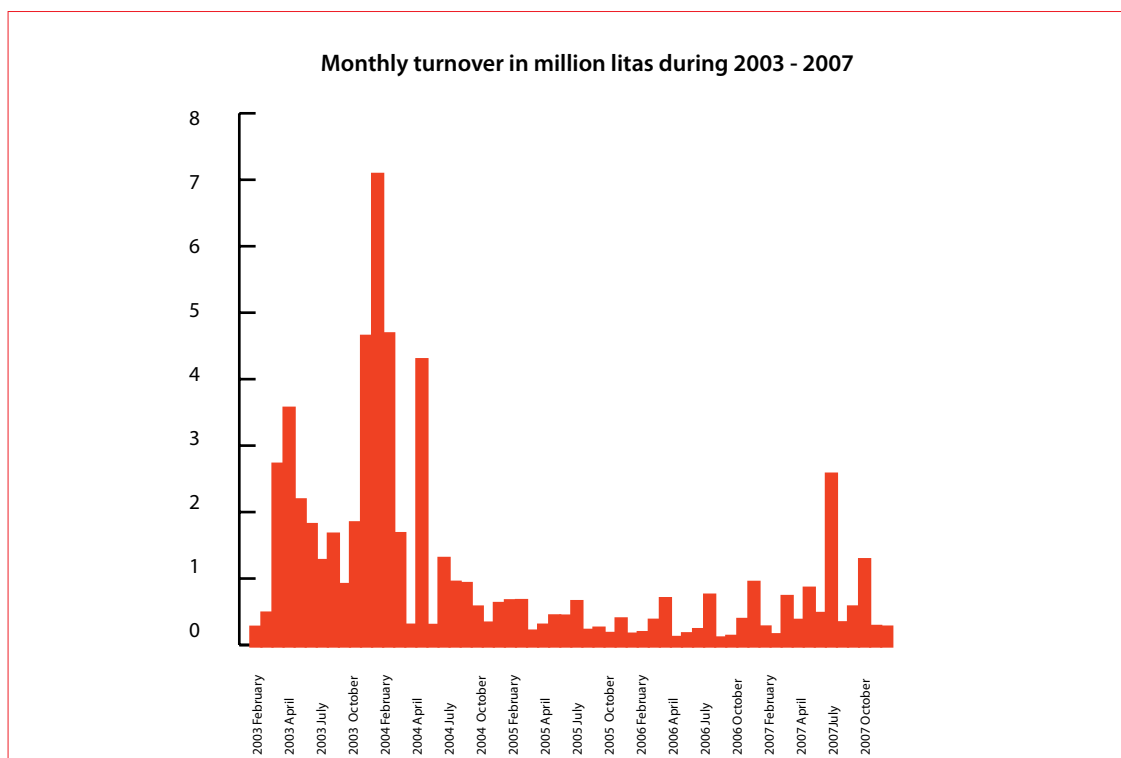
Data on purchasing of own shares by the Issuer

The company has not purchased it's own shares.

Announcement of official offers

During 2007 no official offers from the third parties to purchase ordinary registered shares of the VST, AB were announced. Neither has the VST, AB announced official offers to purchase securities of other Issuers.

The monthly turnover of trading in VST shares in 2003-2007 is presented below.

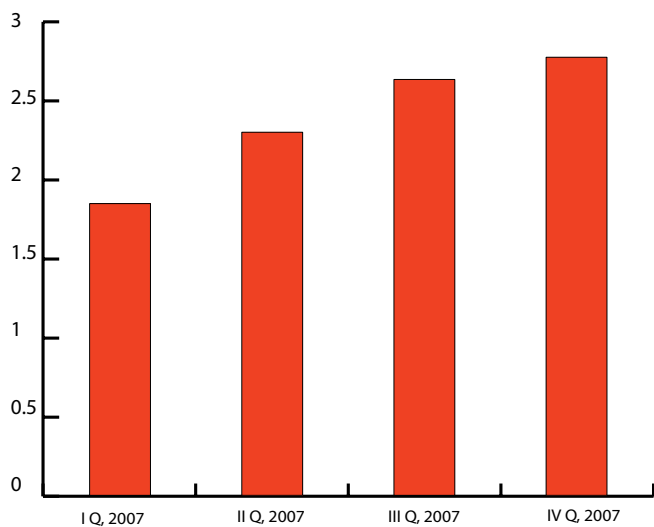


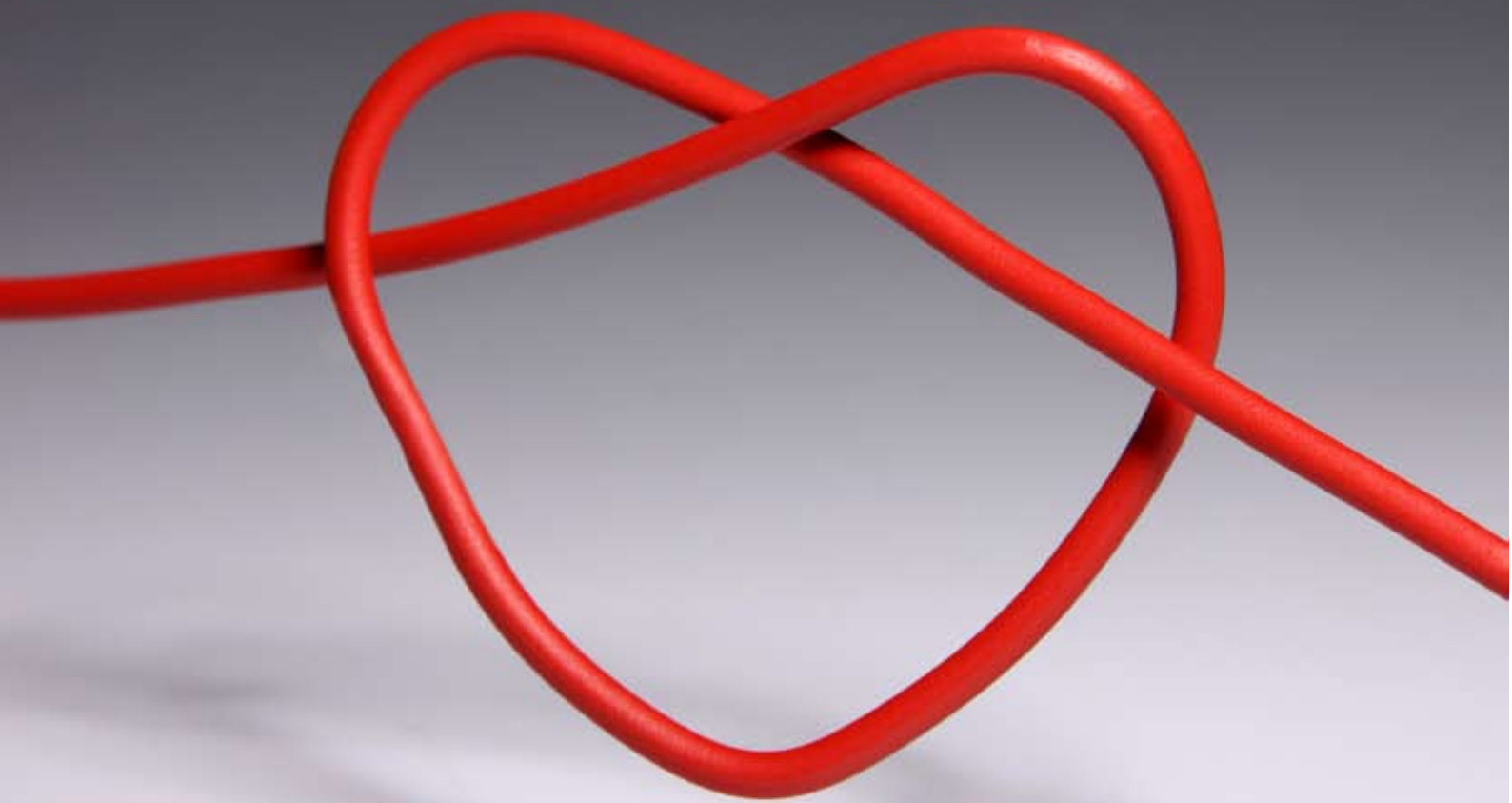
Contracts with the mediators of securities public circulation

The VST, AB and the joint stock company bank "Hansabankas" have signed a contract on accounting of securities issued by VST, AB, and handling personal accounts of securities.

AB bank "Hansabankas"
 Savanorių av. 19,
 LT-03502 Vilnius
 Phone (8 5) 268 44 85
 Fax (8 5) 268 41 70

Capitalization in million litas at the end of the reported period





Data on the activity of the issuer

HISTORY OF THE VST, AB

The company was established due to the reorganization of the special purpose Joint Stock Company "Lietuvos energija" as the Parliament of the Republic of Lithuania adopted the law on reorganization of the special purpose joint stock company "Lietuvos energija" on June 2001. According to the law 4 new companies (for electricity production, transmission and distribution activities) were established by splitting them from the special joint stock company "Lietuvos Energija". One of the companies is the joint stock company "Vakarų skirstomieji tinklai".

The joint stock company "Vakarų skirstomieji tinklai" was registered at the Register of Enterprises on December 31, 2001. The company was established on the basis of branches of Kaunas EN, Klaipėda EN and Šiauliai EN of the special joint stock company "Lietuvos Energija". The Share capital of the joint stock company "Vakarų skirstomieji tinklai" made about 22 percent of the number of shares of the former special joint stock company "Lietuvos Energija".

Geographically, the company covers central and western territories of Lithuania. The company owns the network of electric power distribution (i.e. medium and low voltage lines and transformer substations). It is in charge of electric power distribution and electric power supply service to the end-users.

From December 23, 2003 the biggest shareholder in the company is UAB "NDX energija", which was founded by the owners of the retail trade supermarkets network „VP Market“. Until April 1, 2004 a mandatory non-competitive public offering to purchase the remaining shares of the company for the price of 1.73 LTL each was valid. After the expiry of the public offering UAB "NDX energija" owned 96.51 percent of the company's shares.

2004 saw the formation of the administrative team of the company, amendments of internal procedures and implementation of new procedures related to the decentralisation of functions, analysis of internal business processes and identification of responsibilities.

On April 15, 2005 at an ordinary general meeting of the shareholders of AB "Vakarų skirstomieji tinklai" important resolutions regarding the increase of the share capital of the company, change of the company name, increase of the number of the Board members (from 5 to 6), election of new members and amendments in the company's Bylaws, were adopted.

The change in name was followed by a radical image change. As a modern company, VST must have its mission, vision and strategic objectives clearly defined. By presenting its mission, vision and values to the public the company boldly declared its identity and key values – transparency, clarity and purposeful striving for the achievement of its objectives. The new image of the company is more determined and modern. The company has turned to its customers and responds to their needs. It has become a stable, reliable and socially responsible company. VST's modernisation has been linked to a clear



definition of its policy. Improving the customer service culture and quality has been a priority objective of the company for four years already. Customers are the main evaluators of the company's operations, therefore, customer satisfaction remains the key indicator both in the process of achievement of strategic objectives and in the evaluation of results. The implementation of uniform customer service standards was the first step in the process of directing the employees towards efficient customer-oriented work. A team of responsible employees – professionals has been formed; training and evaluations of front-office personnel – managers, control centre operators, engineers, administrators etc. are held. "Secret customer" and service quality evaluations are carried out, followed by discussions of results with the employees. New services to customers are introduced. Customer service centres are being modernised: the one-stop shop principle has been introduced – all the information and help is provided to customers in an efficient and professional manner in one place.

Employees' initiative and ideas were made use of in the process of development of customer service principles as part of improvement of the efficiency and professionalism with which our customers are served. The key customer service principles have been designed by the employees themselves and are used by the front-office personnel in their daily work.

The company has declared that its aim is to become the best regulated service provider by 2010 and has defined the ways to achieve this. Strategic direction has been the same for four years already. The company intends to retain and later increase the rate of investing in the renovation of transmission networks, to consistently improve service quality, to cut electric power costs and expenditure for own needs, to reduce wire and transformer oil theft rates, to shorten the average annual duration and frequency of power supply interruptions for the customers, to simplify and shorten service procedures, and to introduce new services.

During the past four years the public has started recognising the company; now VST's name is related with growing investments in obsolete electrical installations and consistent improvement of service quality.



According to the public opinion poll on the supply of electric power, which covered both private and corporate customers, VST has made a considerable progress in the area of customer service in recent years. The survey was aimed at determining the degree of VST recognition, the image and the evaluation of service quality as perceived by residents and companies in western Lithuania in the context of the regulated service market. The results of the survey show that the rate of VST recognition among private customers in Lithuania is 67% and has increased since 2006. The recognition has particularly increased in the western region and is 81%. The rate of recognition among corporate customers is much higher: 98% of the companies surveyed confirmed that they know VST. The evaluation of the energy supply was 7.6 (private customers) and 7.2 (corporate customers) using a 10-score scale. Private customers often described VST as reliable, stable, customer-oriented and modern, while most corporate customers selected such qualities as "a company providing quality services", "a company concerned with its image", "a reliable and stable company" and "a modern company".

In addition to increased recognition, the overall customer satisfaction has increased last year (82.7%). According to the survey, 73% of private customers and 74% of corporate customers remained satisfied with communication with VST's employees. There has been a positive evaluation of the communication experience: the customers are increasingly satisfied with the obligingness, efficiency and professionalism of the employees as well as with the working environment.

The company pursues the same strategies this year. It intends to work towards the achievement of the set objectives and to consistently increase customer satisfaction with the company's services and public awareness of the company, its operations and plans.

On 6 August 2007, Mr. Aidas Ignatavičius – director of VST AB's Branch Management and Power Supply Services, was appointed as a chief executive officer of the company, replacing Mr. Dariusz Nedzinskas. Mr. Aidas Ignatavičius was elected by unanimous vote of members of the board. On 26 October the general meeting of shareholders approved the new structure of the board: Mr. Aidas Ignatavičius, the chief executive officer, Mr. Rytis Borkys, director of Electric grid division, Mr. Gytis Kundrotas, deputy director of the Legal and Administration division, and Mrs. Lina Minderienė, chief financial officer. Mr. Aidas Ignatavičius was elected as a chairman of the board.

June 2, 2008 VST, AB has received the notification from UAB "NDX energija" regarding the deprivation of the voting rights. With the notification UAB "NDX energija" informed that it deprived the voting rights after the shares of VST, AB were conceded to LEO LT, AB as non monetary con-

Name	Units	Quantity
110 kV transformers substation	Pcs.	100
35 kV transformers substation	Pcs.	89
35 kV airlines	km	1 659
6 – 10 kV transformers	Pcs.	15 135
6 – 10 kV airlines	km	19 477
35 kV cable lines	km	14
6 –10 kV cable lines	km	4 266
0.4 kV airlines	km	28 034
0.4 kV cable lines	km	3 570

tribution. From the transaction date, May 27, 2008 UAB "NDX energija" has no shares of VST, AB. June 2, 2008 VST, AB received the notification from LEO LT, AB where it is said that LEO LT, AB acquired the voting rights of VST, AB after the shares were conceded to LEO LT as capital contribution. From the transaction date, May 27, LEO LT, AB owns 3 610 159 shares of VST, AB and directly controls 97.1% of the voting rights.

VST, AB'S DISTRIBUTION NETWORK

The company is the owner of electric power distribution network, i.e. overhead lines and cable lines of low and medium voltage, transformer substations and other distribution devices. The key activity of VST, AB is the distribution of the electric power via low and medium voltage lines and the supply (sales) of the electric power to its consumers. The Company is responsible for the power distribution networks in Kaunas, Klaipėda, Šiauliai and part of Marijampolė regions; for safety, reliability, operation, maintenance, management and development of the network.

The company distributes and supplies electric power to nearly 700 thousand customers in western Lithuania. It owns over 16 thousand transformer substations and 57 thousand km of overhead and cable lines and is responsible for the safe operation, control and maintenance of these assets.

A Schematic diagram of the distribution networks controlled by VST, AB



MEMBERSHIP OF ORGANISATIONS

The VST, AB from its incorporation is a member of “Lithuanian Confederation of Industrialists” and of latter’s members - “Industrialists and Employers association of Kaunas region”, “Association of Šiauliai industrialists”, “Klaipėda Association of Industrialists”.

The main objectives of these organizations are to coordinate member’s activities in order to seek mutual goals, represent the members in the Republic of Lithuania as well as internationally, create conditions for the tighter communication between the enterprises, the district and the city governance structures, also, protect social and legal interests of the Lithuanian employers. Thereby, they aim to improve investment climate in Lithuania and assists companies in finding new markets.

Lithuanian Industrialists association was restored in 1989, and in 1993 it was reorganized into the Lithuanian Confederation of Industrialists (LCI). Now the LCI unites 38 branch and 8 regional associations, which together have more than 2700 companies of various profiles as members. Apart to this, there are member companies, which do not belong to associations and joined LCI individually. The Confederation unites not only most of the manufacturing companies, but also banks, trading companies, representations of foreign companies, science & research institutes, educational institutions. The Lithuanian Confederation of Industrialists is non-political, public organization; it does not depend on the state and the LCI has its own independent policy (See more www.lpk.lt).

The Association of Kaunas Industrialists was founded in 1989. In the course of time, having the activities growing, new activity priorities occurring and entering new members, in 1996 the Association was re-registered and renamed as “Association of Industrialists and employers of Kaunas region” (more about it www.pramone.lt).

Klaipėda Association of Industrialists began its activity in 1990. It is an independent non-profit making incorporation of the industry and businesses in Klaipėda region. The incorporation carries out the household, economical, social, etc. goals and functions of the association members. Government and private capital enterprises, banks, and organizations of Klaipėda region belong to the Klaipėda Association of Industrialists (see more www.kpa.lt).

Association of Šiauliai industrialists was founded in 1989. Association unites enterprises, institutions and organizations, such as banks, business consulting companies, manufacturers from Šiauliai town, as well as from its region. The members of association represent traditional branches of industry in Šiauliai town such as manufacturing of TV-sets, electronic equipment and devices, food, leather and furniture industries. (See more www.siauliai-pramone.lt).

Last year the company joined the National Progress Award – a project promoting science, culture, business and public growth in Lithuania – for a second time, becoming a patron of the project, which is sometimes called „the Lithuanian Nobel Prize“.



Under this project, awards are granted on an annual basis in order to stimulate Lithuania’s intellectual progress and scientific, cultural, business and public growth. Launched in 2006, the National Progress Award aims to develop effective partnership between research and business and to promote the contribution of the socially responsible business to the intellectual, cultural and social progress in Lithuania. VST AB has signed the Manifest of Progress thus committing itself to support innovations promoting progress.

The VST, AB does not participate in the capital of the members of the associations mentioned above.

SOCIAL RESPONSIBILITY

VST, AB is a reliable social partner that contributes to the resolution of urgent social issues, with a particular emphasis on the most vulnerable members of the society.

We have committed ourselves to safely distribute and supply energy and we sincerely hope that we will be able to prevent painful incidents by our professional and responsible work.

In order to draw attention to the issue of the lowering age of those suffered from electric current, last year VST initiated educational sessions “Electricity as a Friend but Not a Playmate” for the children living in care establishments. Over 500 children of different age from care establishments in Kaunas, Klaipėda and Šiauliai regions visited VST’s branches and learned about the dangerous electricians’ work, safe handling of electrical devices, and protecting of one’s own and other people’s lives. This social campaign is to be extended this year.

The company is engaged in public fighting with transformer oil and wire thieves and in active prevention of thefts in order to protect the public against serious accidents involving electricity that result in death or injuries and to avoid potential power supply interruptions in case of thefts. The company has started filling its transformers with modified oil, measures are taken to increase public awareness of the threats posed by the thefts, cooperation with the police is maintained, a free trust telephone line is in operation, spot checks of metal scrap buying points are carried out, protection of transformer substations is reinforced.

Support projects

The company provides support fostering the progress – innovative science, education and culture projects.

Last year, the Company for the second time became a Maecenas of the project National Progress Premium promoting the growth of Lithuanian science, culture, business and society and a Maecenas of the fourth annual spring project Lietuvos garbė (Honour of Lithuania) of TV3 Service Žinios. This action has reflected the Company’s policy to support progress in science and innovative ideas.

The Company is an active participant of the project Gift for the Future initiated by the Ministry of Education and Science together with the information technologies company Microsoft Lietuva. Computers that were not used by the company were upgraded and modernised and last year delivered to children of the Kaišiadorys district Žašliai secondary school, Smalininkai special school, Kaunas nursery Spindulėlis and day centre founded by Pamūšio St. Antanas Paduvieties parish. The Company granted 50 computers to the project.

Support provided by the Company is oriented towards the regions where VST carries out its main activities distributes and supplies electricity. Supporting holidays and festivals in the regions the Company aims to create closer relations with urban and settlement communities. Last year, the Company became a sponsor of Skaudvilė (Tauragė district) festival and the city festivals of Jurbarkas, Radviliškis, Žagarė and other towns.

Annually, the Company allocates nominal scholarships to the most prospective students from the Faculty of Electrical and Control Engineering of Kaunas University of Technology. It is the fourth year when 30 most advanced and promising students from Departments of Electric Power Systems, Process Control and Control Technology of KTU Electrical and Control Engineering Faculty traditionally get premiums of LTL 1000. It is not the first time the Company allocates financial support to Kaunas University of Technology, donates modern electro-technology devices, but together with the researchers working there it has developed modified transformer oil.

ENVIRONMENTAL PROTECTION

The company's operations are governed by the laws and regulations that obligate us to distribute and supply electric power in a reliable and safe manner and the company places a considerable emphasis on work in this area. In the renovation of transformers substations, we invest in the latest technologies that are environmentally friendly and do not pose threat to people. We are seeking for optimal solutions for the stork nest rescue issue.

Salvation of White Storks

The majority of White Storks roosting in Lithuania come to Western Lithuania and build their massive nests on electricity poles. It is dangerous not only for birds, but also for people living in the neighbourhood. The company has been concerned with safe relocation of storks' nests for several years. Since 2005 the company has equipped special supports above electricity poles for about 550 nests at its own expense. The company together with the Ministry of Environment and the Institute of Ecology of Vilnius University seeks for best ways to preserve nests of White Storks. The initiative of the salvation of White Storks was positively evaluated by the Ministry of Environment, which awarded the company with a prize for the protection of environment on the World Environment Day in 2006.

Installations safe for the nature and people

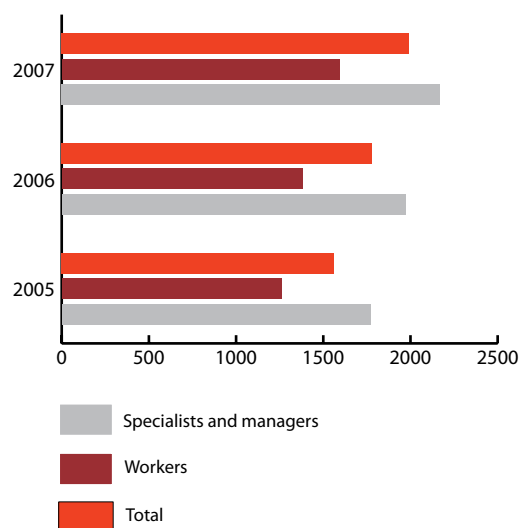
The Company puts investments to depreciated distribution networks what proves its great attitude to ecologically clean installations that do not pose any danger to the environment and people. Rainwater and oil collection equipment is installed in the renovated transformer substations that prevent the soil and urban sewerage from pollutants.

EMPLOYEES

In 2007 the average number of employees in VST, AB was 1885, if compared with previous financial year (was 1968) it went down by 4.2 percent. In 2007 the company employed 1 297 specialists and managers (2006: 1329; a 2.8% reduction) and 588 workers (2006: 639; an 8% reduction). The workers' redundancy was caused by the optimisation of organisational structure and increasing efficiency and productivity of work following the company's privatisation.

Average salary of an employee in the company increased by 12 per-

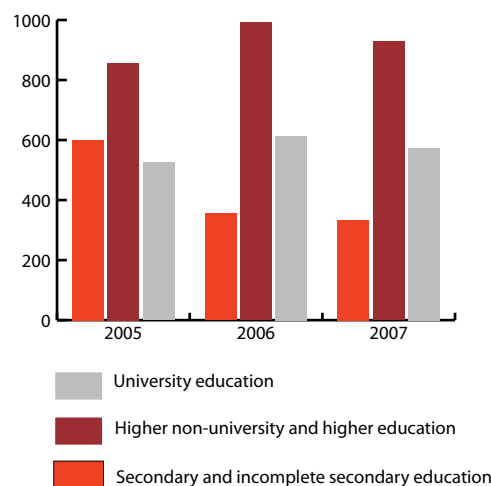
Average salary, LTL



Number of employees



Employees by education





cent during 2007 up to 1993 LTL, compared with 14 percent. The average monthly pay of workers is LTL 1592, while that of specialists and managers - LTL 2170.

The annual performance evaluation system was applied in 2007 just like in previous years. Also the preventive personnel policy with the goal to increase the professionalism and the loyalty to the company is being implemented. The company continues to organize internal interviews, where the staff of the company is being encouraged to fulfill their Professional goals and ambitions in new work places. During 2007 were arranged 17 internal interviews, nearly 12 percent of all employees have changed positions, among those 7.7 percent (141 employees) went up to superior positions, 24 employees went up to the management positions. Such possibility to make a career and grow helps to attract young specialists. The company continues Study finance program under which electro-technical academic studies are partly financed (by 50%).

The company maintains close cooperation ties with academic establishments and willingly accepts students for vocational practice periods. Over 100 students were accepted by the company in 2007 and 2006. The majority of the trainees (83%) improved their practical skills at the company's divisions directly related to the distribution and supply of electric power. The company collaborates with such educational establishments as Kaunas University of Technology, Šiauliai University, Vilnius University, Kaunas Technical College, Šiauliai College and Vilnius College.

The employee structure by educational attainment: 31.3% - university education, 50.5% - higher non-university, further, special secondary, technical/vocational education, 18.2% - secondary education or lower.

Before 20 August 2007 the company had a valid Collective agreement. After its termination, negotiations with employees' representatives over a new collective agreement were launched. The new collective agreement was signed on 30 May 2008 and it will be valid for 2 years. The goal of this Collective Agreement is to ensure efficient work of the company and represent all employees of the company. It sets forth the work conditions, payment for the work, social, economic and professional conditions and guaranties. Due to the Collective Agreement, annual conference of representatives of employees was arranged. Representatives of employees agreed the employer implements the provisions of the Collective Agreement. VST, AB supports the education, sports and cultural events organized for the employees by the trade unions. Allocations for the trade unions in 2007, alike in 2006, amounted to 17 000LTL.

The company pursues a consistent personnel policy aimed at the achievement of corporate strategic objectives. Special attention was paid to the staff training and qualification improvement during the Report year - company invested about 366 000 LTL into training. 528 employees (28 percent of all employees) participated in the training. 66 percent of organized training took place in the licensed educational institutions outside the company; about 34 percent of training was organized within the company.

The types of training held in 2007 remained the same as in previous years and included leadership training, professional training and skills

improvement. All the managerial personnel took part in the leadership training cycle, which placed emphasis on personal efficiency, business communication, public speaking and other managerial and leadership subjects.

Attention was also given to the improvement of the employees' skills: the company organised professional training aimed at gaining or improving specific qualifications and skills necessary for safe and professional performance of dangerous and potentially dangerous works. The subjects of training were largely the same as in previous years and the main professions included high-altitude work managers, high-altitude workers, crane operation managers, auto lift operators, travelling-cradle workers, lumbering workers, welders and construction supervisors. Over 100 employees refreshed their knowledge in electrical engineering and were acquainted with new developments in the field.

Over 130 front-office workers improved their communication skills at training courses in efficient customer service.

Several skills improvement events were organised to meet specific business needs, e. g. employees took part in different conferences in Lithuania and abroad.

Incentive Policy

The employee remuneration and bonus policy pursued by the company is aimed at attracting and retaining best employees of the company. It takes account of the company's overall performance results and development in the labour market.

The purpose of the bonus system is to fairly evaluate individual performance results of each worker and structural division and team results, to determine the level of achievement of objectives and to link them to the corporate strategic objectives and performance indicators.

The types of bonuses identified and the principles of giving bonuses:

- monthly bonuses to employees of the divisions engaged in core activities of the company based on evaluation of the division's performance results and the each employee's individual contribution;
- annual bonuses to administration personnel (managers) based on evaluation of the achievement of the set targets and contribution by the divisions;
- additional bonuses may be paid for excellent performance by the decision of the board;
- additional bonuses are also paid to employees for the collection of funds for the company under the inspection reports on non-accounted consumption of electricity.

The remuneration and bonus policy is flexible and takes account of the contribution of employees of different grades into the corporate results. The policy is under constant review and improvement.



CUSTOMERS

The company distributes and supplies electric power in the western and central territory of Lithuania. It is the area of 30 378 square kilometres, which has about 1.89 million residents.

The company supplies electric power to over 710 thousand customers. This number is constantly increasing.

The number of the company's customers increased by 1.1% in 2007.

The biggest part of the electric power distributed and supplied by the Company (about 31.05 percent) is bought by other companies and (about 30.95 percent) households, and others bought about 28.51 percent. electric power. The remaining part of electric power is consumed by residents and budget organizations and Agricultural consumers.

As shown by the chart, the electric power demand has been increasing in all customer segments in 2007. In particular, the electricity consumption by private customers has increased considerably in 2007 and 2006.

Since 2005, there has been a 14.6% increase in electricity consumption by private customers; agricultural customers – 7.6%, budgetary institutions – 2.5%, other customers (mainly non-industrial) – 24.2%.

VST, AB concludes open-ended agreements with customers without fixing a specific term. The share of the largest customer in the company's income from electric power sales is 1.5%, therefore, the company is not dependent upon any single customer.



FACTORS AFFECTING OPERATIONS OF THE COMPANY

Economical

VST, AB is the owner of electric power distribution network in western Lithuania. Financial parameters of the company depend on the relations with the energy producers and electric power consumers. After the close-down of the Ignalina NPS planned for 2009, competitors may appear on the local market due to the possibility of free consumers to choose the supplier of electric power.

The key economic risk factor is insufficient capacity of the company and its contractors to eliminate the damages quickly, which occur in result of natural calamities. Due to the disorders of electric power supply the incomes may be lost and losses may occur.

The company is facing the risk known to many Lithuanian companies – the lack of qualified employees and labor force due to the emigration to other countries. There is a shortage of qualified personnel in the divisions of the company. The qualifications of the lowest employees' level are still not satisfactory. Emigration of staff to other EU countries is becoming more and more important. This risk is being reduced by personnel policy and the average salary level increase.

Political

Distribution and supply of electric power in Lithuania is regulated by the state more than in other industry branches. The electric power distribution and supply are subject to the Law on Electricity of the Republic of Lithuania. The state policy towards the prices of electric power is of high importance. The service prices are regulated; top margins are set by the Commission of Prices and energy control of the Republic of Lithuania. Therefore the pricing policy of the company is not flexible enough. Unplanned changes in the political situation of the country and legal regulations would have a negative influence on the company's operation.

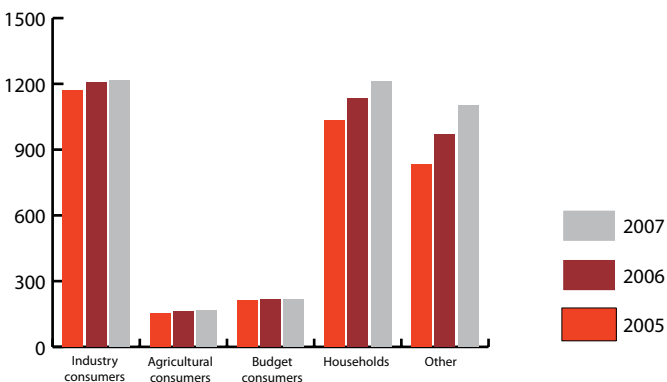
Social

The Company provides development opportunities for students. Each year, around 50 students from various educational institutions are offered traineeships at VST, AB, also there are annual scholarships given to students by The Company. Therefore, the company is attractive for young specialists. Also, based on the collective contract, the cooperation with trade unions is close; their activities are supported aiming to ensure the dialog between the employer and the employees.

Ekological

VST, AB is an electric power distribution and supply company. Different from the electric power producing companies it hardly pollutes the environment. The chances of the issuer's operation limitations or its closedown due to the damages on the environment are really poor. The following preventive and pollution reduction measures are applied in the company:

Sales by customer's groups in 2005-2007 (kWh, million)





- The technical condition of devices in which ecologically dangerous materials are used is regularly checked. Ecologically dangerous materials and devices are being avoided, safer ones are selected instead.

- The waste accumulated in the company is registered in the waste registers, which are safely kept in the divisions where the waste is accumulated. Hazardous waste is sorted and collected to special containers and passed on waste handling companies for proper handling.

- Transformers oil is stored in double-walled underground reservoirs, which correspond to all safety requirements. Surface leakages are directed to the cleaning equipment which is located close to the transformers sites.

- At the transformer substations oil separating valves are used in draining the leakages; the valves directs clean sewage to the sewerage, if it contains oil it is directed to the cleaning equipment.

- Building electric lines across the places where a lot of trees grow (parks, forests) - the efforts are made to use air cables. This allows reducing the width of the cutting zone. If the line goes across a landscape reservation, underground cables, which do not change the landscape, are used.

The company continues its campaign for the preservation of stork nests as the majority of these birds stay in western part of Lithuania. Since the autumn of 2005, the company raised 550 stork nests on special masts over the utility poles at its own cost, with the majority of the nests – 96 erected in Klaipėda region. In Kaunas region, 61 stork nests were transferred to metal masts; in Šiauliai region, about 50 nests were removed from most dangerous places. The largest number of safe stork nests was erected in Kaišiadorys, Šilutė and Šilalė districts. The stork nest rescue initiative has received a positive evaluation from the Ministry of Environmental Protection, which awarded VST a prize for environmental protection on the occasion of the World Environment Day 2006.

Technological

VST was the first to voice a concern about the critical condition of the power distribution networks. Part of the distribution networks of the company date back to the 50ies and 60ies. Prior to privatisation, repairs of such installations were undertaken only in case of power supply failures. Therefore, renovation of the old networks requires solid investments.

For the fourth year already the majority of the company's investments have been earmarked for the improvement of the quality and reliability of power supply and the maintenance of the distribution networks. The company has undertaken substantial renovation of the obsolete substations and construction of new ones and installation of electrical equipment that is durable, meets the latest standards and enables the reliable power supply under any weather conditions. VST is seeking technical solutions that would ensure continuous control over the distribution networks, effective elimination of failures and prevention of interruptions in the power supply.

FINANCIAL RISK MANAGEMENT

Credit risk

As the Company is working with big number of customers, it does not face a significant credit concentration risk. Credit risk or the risk that the Company will not be able to recover amount receivable, is controlled by the application of credit terms and monitoring procedures. The Company has special credit department that is responsible for the monitoring of collection of receivables.

The Company does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the balance sheet. Consequently, the Company considers that its maximum exposure is reflected by the amount of bonds and trade receivables, net of allowance for doubtful accounts recognized at the balance sheet date.

The Company trades only with recognised third parties, so there is no requirement for collateral. Maximum exposure to credit risk amounts to LTL 296 286 thousand and LTL 185 974 thousand as of 31 December 2007 and 2006, respectively.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets.

The major part of the Company's borrowings is with variable rates, related to EURIBOR and LIBOR, which creates an interest rate risk. There are no financial instruments designated to manage its exposure to fluctuation in interest rates outstanding as of 31 December 2007 and 2006.

Foreign exchange risk

All monetary assets and liabilities of the Company are denominated in litas or euro, and the exchange rate of the latter is fixed in respect to litas; therefore, the Company practically is not exposed to the foreign exchange rate risk.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Company's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets - inventories) / total current liabilities) as of 31 December 2007 were 1.72 ir 1.68, respectively (1.09 and 1.05 as of 31 December 2006, respectively).

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and overdrafts. The Company's activities generate sufficient amount of cash, therefore the main managements' responsibility is to monitor that the liquidity ratio of the Company is not lower than 1. The Company exceeds managements' expectations in the liquidity area in years 2007 and 2006.

Capital management

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements. Capital includes equity attributable to equity holders.

The Company manages its capital structure and makes adjustments to it in the light of changes in economics conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were

made in the objectives, policies or processes during the years end 31 December 2007 and 31 December 2006. The Company is obliged to keep its equity up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania.

Moreover the Company has externally imposed capital requirements from the banks. They require that equity/assets ratio is not less than 30%. The management monitors that the Company is in line with the requirement. No other capital management tools are used.

COMPETITION

VST, AB provides the electric power supply and distribution services. Since the company is the operator of the distribution network in Western Lithuania and the installation of similar electricity network is practically impossible, the threat of competition in the distribution activity is not important.

Anyhow, the competition on the local market does exist, because free consumers have the possibility to choose the supplier of electric power. Free consumers may be supplied by the public supplier (electric power distribution company in the territory where it provides the service) or by an independent supplier (body, which has the License for this activity). In 2004 after the new edition of the Law on electric energy came into force, all consumers, except the households, became free consumers; not later than July 1, 2007 all consumers will be free. However, the competition threats in the energy supply activity are inconsiderable for the company, until the main supplier is the Ignalina Nuclear Power Station.

SUPPLY

The main producer and supplier of electric power for the company is the State enterprise (SE) "Ignalinos atominė elektrinė" (Ignalina nuclear power station). It supplied 60 percent of electric power in average during recent years. Long term contracts are concluded with the sup-

Purchase of electric power

No.	Name of the power station	Type of deal	2005		2006		2007	
			million kWh	million LTL (VAT excl.)	million kWh	million LTL (VAT excl.)	million kWh	million LTL (VAT excl.)
1	"Ignalinos atominė elektrinė", VĮ	Contractual	1833.7	120.7	2120.0	139.5	2593.5	170.6
2	"Lietuvos energija", AB	Additional	860.2	63.8	1102.3	95.1	852.1	93.8
3	"Lietuvos energija", AB	VIAP	616.3	95.7	652.8	95.2	768.0	148.1
4	"Kauno termofikacinė elektrinė", UAB	Contractual	227.4	14.8	156.1	10.2	0.0	0.0
5	Mažosios elektrinės	VIAP	31.7	6.5	33.8	6.9	68.0	13.9
6	"Klaipėdos energija", AB	VIAP	20.0	2.1	16.2	1.8	20.0	3.2
7	"Šiaulių energija", AB	VIAP	6.5	0.8	6.5	0.8	6.5	1.2
8	Small power stations	Contractual	2.6	0.1	0.2	0.0	0.1	0.0
9	"Klaipėdos energija", AB	Contractual	0.6	0.0	0.0	0.0	0.0	0.0
10	"Vilniaus energija", UAB	Contractual	238.1	15.5	0.0	0.0	0.0	0.0
	"VST", AB	Electric power	3837.1	320	4087.9	350.5	4308.2	430.8
	"Lietuvos energija", AB	Service	3795.1	131.1	4043.7	140.6	4229.6	150.6

pliers of electric power. The remaining demand for electric power the company satisfied purchasing electric power at the auctions or by the obligation to supply services corresponding to the public interest (or VIAP – electric power produced using renewable or waste-origin sources of energy, closedown costs of Ignalina NPS and etc.) and from small power stations. The transmission service for the company is provided by the joint stock company "Lietuvos energija", which ensures the transmission of electricity from Lithuanian power stations to the distribution networks companies.

In order to ensure smooth development and renovation of the network, part of the works are done by contractors. Ten contractors, which performed most of the repair works and the investment in 2006 and 2007, are given in the Chart. There are quite a number of contractors capable to perform the needed work; therefore successful partnership is grounded on possibility to choose quality services for a good price.

Service prices

The prices for services are regulated; the top margins are set forth by the National Prices and Energy Control Commission of Lithuania, based on the methods of public electric power prices, public supply service price and the top margin establishment and the electric power transmission and distribution service price and their top margins.

Electric power prices and tariffs, as well as order of their application during the year 2007 were approved by the National Prices and Energy control Commission by its resolution No.03-85, dated November 21, 2006. Since January 1, 2008 electric power prices and tariffs came into force; they were approved by the National Prices and Energy control Commission by its resolution No.03-125, dated November 30, 2007. They are available for publicity at the websites of the VST, AB (www.vst.lt) and the NATIONAL Prices and Energy Control Commission (www.regula.lt).

INVESTMENTS INTO RENOVATION AND DEVELOPMENT OF THE NETWORK

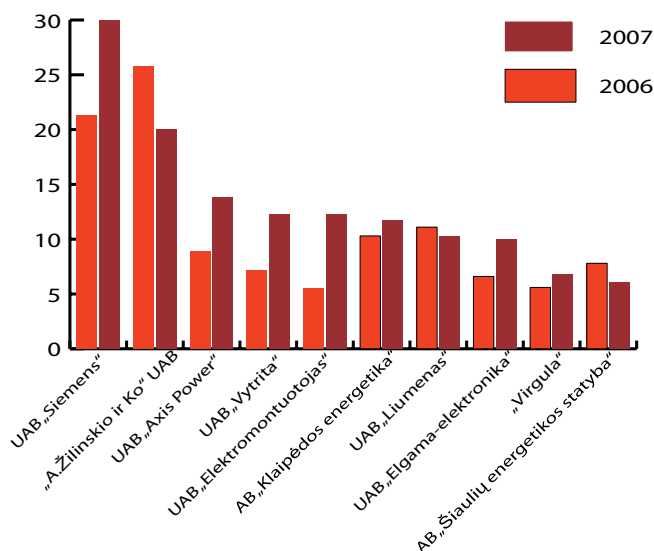
For four years already VST has been purposefully investing in the improvement of service quality. The investments are mainly earmarked for the renovation and modernisation of the electrical facilities. The company has undertaken substantial renovation of the obsolete substations and construction of new ones and installation of electrical equipment that is durable, meets the latest standards and enables the reliable power supply under any weather conditions. VST is seeking technical solutions that would ensure continuous control over the distribution networks, effective elimination of failures and prevention of interruptions in the power supply.

Last year, the renovation of 5 transformer substations - Amalių, Taikos, Tytuvėnų, Šeduvos, Akmenės – were finished and a new one transformer substation Nemunas in Kaunas was constructed with the value of more than 12 million litas. The reconstruction of two power substations Gedminų in Klaipėda and Miglos in Mažeikiai will be finished this year. These are large energy objects, the renovation and construction of which totalled to the VST Company last year more than 30 million litas.

Last year, the Company constructed 301 new and repaired 1113 (6-10 kV) transformer substations. The Company's specialists wired more than 500 kilometres of new overhead and cable lines from which even 457 kilometres are underground cable lines that allow ensuring the quality of electricity supply under any weather conditions. 2952 kilometres of electricity lines were repaired. Modern transformer substation control systems (SCADA) are being implemented in the company's divisions; they ensure uninterrupted monitoring of the status of the substations and other facilities connected to the system.

Control system operators are able to locate failures effectively and accurately and to send failure response teams immediately. Even if the failure is insignificant, the system gives an instant warning about it, with full information on the location and status of the faulty item displayed. Power supply to the customers is restored within the shortest time. The information management system enables the distant elimination of minor failures

Biggest contractors during 2006-2007, million LTL



without the need to travel to the incident location. In addition, SCADA system simplifies the failure detection in woody areas where wires are torn by falling trees because of strong wind and facilitates failure analyses and taking preventive measures to ensure uninterrupted power supply to the customers.

The largest investments last year were allocated to Klaipėda region. Last year investments amounted to more than 60 million litas in Klaipėda region, nearly 50 million in Kaunas region and nearly 30 million litas in Šiauliai. Investments in the development and maintenance of power networks in 2007 total LTL 140 million (2006: LTL 139.7 million).

The company has been modernising its transformer substations intensively. Rehabilitation of Taika and Seduva transformer substations has been completed, with the investment costs amounting to LTL 14.4 million.

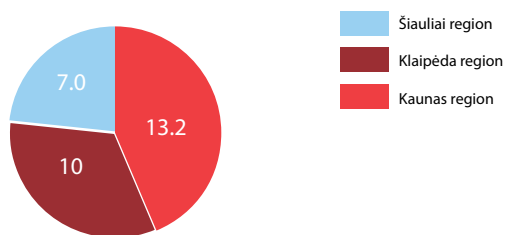
Investment projects aimed at ensuring quality power supply to customers have been completed in Tytuvėnai and Akmenė. The total value of the projects is over LTL 5.6 million including Tytuvėnai LTL 2.5 million and Akmenė LTL 3.1 million.

The company has invested LTL 11.9 million in Amaliai transformer substation which distributes electric power to the Kaunas Dainava outpatient clinic, several educational establishments, Girstupis police station and other facilities.

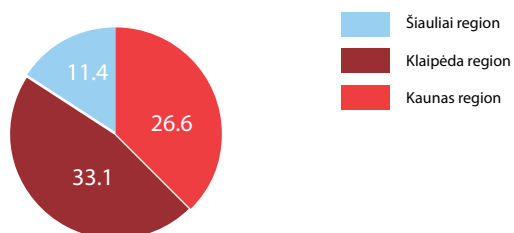
In 2007, LTL 18.56 million and LTL 30.22 million were invested respectively in the development and reconstruction of 10–0.4 kV and 110-35 kV networks. The majority of investments in 110-35 kV networks took place in Kaunas region, while investments in 10–0.4 kV – in Klaipėda region.



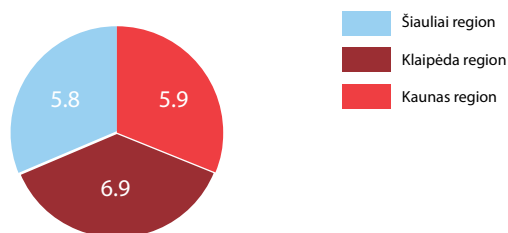
110-35 kV electricity network investment, million LTL



Electricity networks investment directly associated with customers and contracting parties, million LTL



110-35 kV electricity network investment, million LTL



During the year of 2007 there were connected 11 331 new customers (140.4 kW power). Investment for new customer’s connection amounted to 64.49 million LTL and the biggest part was allocated in Klaipėda region.

Last May the company introduced a new service of automatic meter reading for corporate customers with automated meters. data are collected from metering devices automatically and bills are issued based on actual monthly consumption. This saves time to our customers. In 2007 the new service of automatic distance meter reading was used for 14 facilities.

As in 2007, in the year 2008 it is planned to continue the network renovation and development works by allocating funds for investment.

Innovations

The Company has implemented an electronic portal for legal bodies up for declaration of meter data and paying bills.

Therefore, since 2006 it is more convenient for companies and organizations to account for electricity consumed when using internet portal. By then, legal bodies in order to declare meter readings and account for it were obligated to arrive to customer service centre or to fax their data. Legal body – the customer of VST, AB signing an agreement gets a password, using which enters an internet portal and declares its meter readings without leaving the office.

Customers declare their meter readings, follow their accounts and gets relevant information, thus, the internet portal improves efficiency of payment procedure for VST, AB services.

2007 saw the introduction of a single bill service. A single agreement on sale – purchase of electric power is concluded with corporate customers that have more than one energy-consuming facility within the area serviced by VST. The single bill service was launched last year for customers’ convenience.

REAL ESTATE AND CONSTRUCTION IN PROGRESS

Real estate and other main property

The biggest part of the real estate owned by VST, AB is built on the state owned land. The base to use the land is the Land rent contracts concluded with the Heads of the County administrations, which manage the state owned land under the right of trust. The land owned by private persons on whom the property of VST, AB is located, is being used by the company on other legal grounds set forth in the Civil Code of the Republic of Lithuania and other laws (rent, sub-rent, beneficial use, servitude and other rights). Besides, for the land on which energy objects or devices owned by the company are built, special conditions of use are set forth according to the order established by the laws and registered at the Register Centre; the special conditions of use consolidates the right of VST, AB to use the land owned by other persons as much as it is necessary to use, service, repair and ensure the exploitation of energy objects and devices.

In 2007 the area of land rented from the state and used by the company was 109 ha: 31.8 ha - in Šiauliai region, 43.9 ha – in Klaipėda region and 33.3 ha in Kaunas region.



On-going construction

The diagram shows the structure of on-going construction by investment spheres.

On-going construction in 2007, million LTL

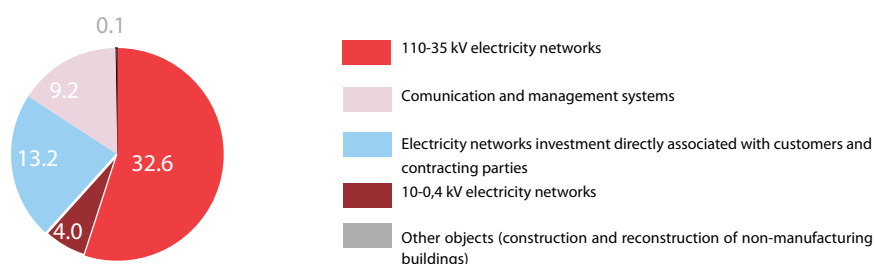


Table shows the biggest projects of on-going construction.

Project	Start of project	End of project	Project value, million LTL	On-going construction value, 30-12-2007
Construction of Nemunas 110/10 kV TP	2005	2008	12.4	12.4
Reconstruction of Gedminas 110/10 kV TP	2005	2008	9.7	9.3
Reconstruction of Migla 110/10 kV TP	2005	2008	6.2	5.4
SCADA installation in Radviliškis	2007	2008	3.3	2.9
10 kW cable lines (CL), construction of modular transformers (MT) and reconstruction of Jakai switchyard of 110/10 kW transformation substation 10 kW.	2007	2008	2.9	2.9
SCADA installation in Plungė	2007	2008	2.9	2.9
SCADA installation in Šilalė	2007	2008	2.8	2.8
Construction of Giraitė 35/10 kV TP and 35 kV KL in Kaunas region	2007	2008	5.8	2.6
Elevation of electricity lines due to the construction of the northern exist from Klaipėda State Seaport	2006	2008	1.6	1.6
Construction of a 10kW switchyard, 10 kW cable lines, an optical communication line and modular transformers	2007	2008	2.8	1.2

PATENTS, LICENCES, CONTRACTS AND CIVIL CLAIMS

In 2007 VST, AB carried two licensed activities in the electric power sector, i.e., public supplier of electric power and the operator of the electric power distribution network.

Name	Issue date	Number	Issued to	Valid till	Issuing institution
Licence of public electric power supplier	25/03/2002	Nr. VET-1	"Vakarų skirstomieji tinklai", AB	Not limited	National Prices and Energy Control Commission, Resolution No 28, dated 20/03/2002
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission, Resolution No 128, dated 17/12/2002
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission, Resolution No 28, dated 03/10/2003
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission, Resolution No O3-120, dated 11/11/2004
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission, Resolution No O3-29, dated 26/05/2005
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission, Resolution No O3-3, dated 24/01/2007

Licence of public electric power supplier	25/03/25	Nr. ES-1	AB „Vakarų skirstomieji tinklai“	Not limited	National Prices and Energy Control Commission, Resolution No 28, dated 20/03/2002
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission, Resolution No 51, dated 20/05/2002
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission, Resolution No 85, dated 10/09/2002
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission, Resolution No O3-120, dated 11/11/2004
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission, Resolution No O3-29, dated 26/05/2005
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission, Resolution No O3-3, dated 24/01/2007 nutarimu Nr.O3-3

Certificates held by VST, AB - for the activities in the electric energy sector:

Name	Issue date	Number	Issued to	Valid till	Issuing institution
Certificate to operate electric devices	13/05/2005	No. E-0827	VST, AB	01/02/2012	State Energy inspection at the Ministry of Economy, Resolution No 2655, dated 01/02/2007
Certificate to perform design and construction works of a part of a building	06/05/2005	No. 3151	VST, AB	06/05/2010	Ministry of Environment of the Republic of Lithuania
Permit to export electric power	09/07/2002	No. LE-0003 attachment 3	“Vakarų skirstomieji tinklai,” AB	No limited	State energy inspection at the Ministry of Economy of the Republic of Lithuania, Order No 51, dated 12/02/2002

Three certificates were issued to VST, AB by the State Patent Office in 2007:

Name	Issue date	Number	Issued to	Valid till	Issuing institution
Patented trademark „VST“ (verbal)	04/04/2007	No.53237	VST, AB	05/04/2015	The state patent Bureau
Patented trademark „VST KAD GYVENTI BŪTŲ ŠVIESIAU“ (visual)	04/04/2007	No.53238	VST, AB	05/04/2015	The state patent Bureau
Patented trademark „KAD GYVENTI BŪTŲ ŠVIESIAU“ (verbal)	04/04/2007	No.53239	VST, AB	05/04/2015	The state patent Bureau

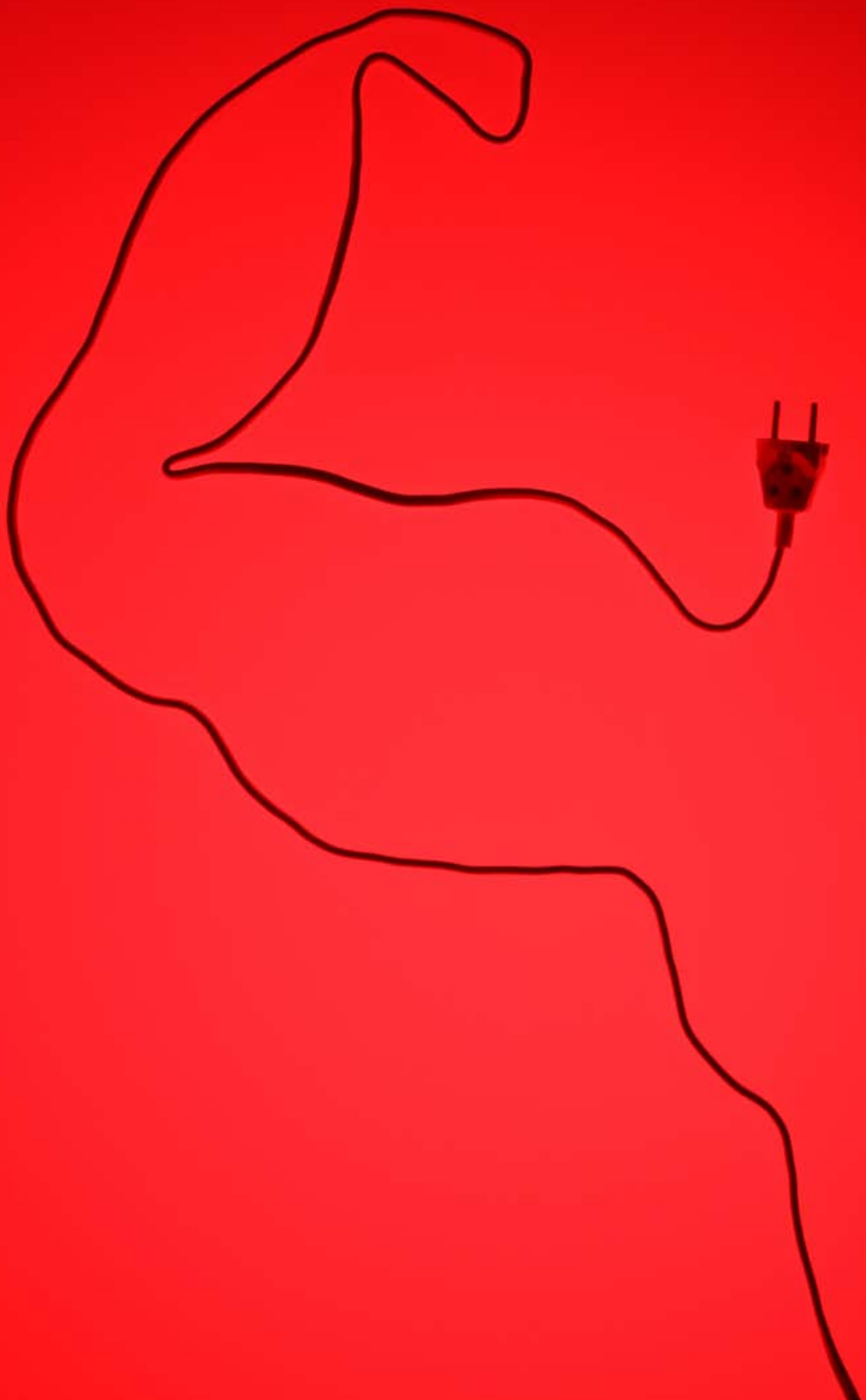
Hearings in courts and arbitrage

There were no court or arbitrage hearings during the of annual Report, which might essentially influence the financial situation of the issuer. In 2007 there were 183 civil claims presented to court on consumers regarding unpaid electric power and damages caused by illegal con-

sumption of electric power coverage. The total sum of claims amounts up to 1.3 million LTL and from 2003 went down by 1.7 million LTL.

In 2006 company concluded a contract with the third party establishing pretrial recovery of debts. Thus, the number of claims regarding the debts for electric power decreased, as well as the costs of debts recovering, which would be acknowledged as hopeless.

Year	Number of claims	Total sum of claims (million LTL)
2003	1219	3.0
2004	866	1.5
2005	605	1.6
2006	299	1.2
2007	183	1.3



Financial accountability

Following financial statements presented of the year 2007 are prepared in accordance with the International Financial Reporting Standards.

Income statement

VST, AB

INCOME STATEMENT (in LTL '000)	31/12/2007	31/12/2006	31/12/2005
Sales	1 053 757	924 779	842 781
Other operating income	5 574	4 935	3 964
	<u>1 059 331</u>	<u>929 714</u>	<u>846 745</u>
Purchases of electricity	(581 436)	(491 125)	(451 164)
Depreciation and amortisation	(284 476)	(217 999)	(212 095)
Wages, salaries and social security	(56 034)	(50 659)	(57 330)
Repair and maintenance expenses	(23 941)	(21 619)	(14 144)
Spare parts and other inventories	(15 452)	(14 968)	(13 740)
Utilities and communications expenses	(5 697)	(5 445)	(6 147)
Other operating expenses	(7 039)	(32 632)	(32 206)
	<u>(974 075)</u>	<u>(834 447)</u>	<u>(786 826)</u>
Operating profit (loss)	85 256	95 267	59 919
Financial income (expenses)	(10 400)	(11 666)	(12 199)
Profit before tax	74 856	83 601	47 720
Current year income tax (expenses)	(41 023)	(54 383)	(37 958)
Deferred income tax benefit	33 411	30 459	38 710
	<u>67 244</u>	<u>59 677</u>	<u>48 472</u>
Basic and diluted earnings (loss) per share, in LTL	<u>18,09</u>	<u>16,05</u>	<u>13,04</u>

Balance sheet
VST, AB

BALANCE SHEET (in LTL '000)	31/12/2007	31/12/2006	31/12/2005
ASSETS			
Non-current assets			
Property, plant and equipment	2 734 971	2 079 091	2 164 243
Intangible assets	798	656	666
	<u>2 735 769</u>	<u>2 079 747</u>	<u>2 164 909</u>
Current assets			
Inventories	7 753	6 525	13 701
Trade and other receivables	89 846	83 039	67 474
Prepayments, deferred charges and accrued income	11 284	12 672	9 252
Cash and cash equivalents	206 440	102 935	199 300
	<u>315 323</u>	<u>205 171</u>	<u>289 727</u>
Total assets	<u>3 051 092</u>	<u>2 284 918</u>	<u>2 454 636</u>
EQUITY			
Share capital	111 540	111 540	111 540
Revaluation reserve (result)	1 345 069	830 011	1 193 837
Legal reserve	11 154	11 154	11 154
Retained earnings (deficit)	620 612	453 999	161 317
Total equity	<u>2 088 375</u>	<u>1 406 704</u>	<u>1 477 848</u>
LIABILITIES			
Non-current liabilities			
Borrowings	298 929	347 091	388 801
Deferred income	187 394	136 385	98 787
Deferred income tax liability, net	293 214	206 293	234 239
	<u>779 537</u>	<u>689 769</u>	<u>721 827</u>
Current liabilities			
Borrowings	80 389	49 489	100 414
Trade and other payables	75 072	94 699	112 673
Advances received and accrued charges	25 046	28 321	18 998
Income tax payable	2 673	15 936	22 876
	<u>183 180</u>	<u>188 445</u>	<u>254 961</u>
Total liabilities	<u>962 717</u>	<u>878 214</u>	<u>976 788</u>
Total equity and liabilities	<u>3 051 092</u>	<u>2 284 918</u>	<u>2 454 636</u>

Cash flow statements

VST, AB

CASH FLOW STATEMENT (in LTL '000)	31/12/2007	31/12/2006	31/12/2005
Cash flow from operating activities			
Net profit (loss)	67 244	59 677	48 472
<i>Adjustments for non-cash items:</i>			
Income tax	7 612	23 924	(752)
Depreciation and amortization	285 234	218 365	212 461
Depreciation of property, plant and equipment received at no consideration	(758)	(366)	(366)
Recognition of income from the connection of new customers	(4 751)	(3 558)	(2 412)
Accrued income from electricity sales	(2 252)	(621)	-
Loss on sale of property, plant and equipment	373	373	(154)
Write-offs and impairment (reversal of impairment) of property, plant and equipment, revaluation effect	(14 439)	3 920	8 683
Impairment (reversal) of impairment of receivables and prepayments	(7 967)	558	1 041
Inventories surplus and (reversal) of inventories impairment	(3 010)	(804)	(9)
Accrued wages, salaries and social security expenses and other accruals	1 168	3 065	14 273
Net loss from transactions in foreign currencies	4	4	14
Interest (income)	(8 159)	(5 196)	(4 262)
Interest expenses	18 479	16 781	16 760
Other (income)	(16)	-	(39)
	338 762	316 122	293 710
<i>Changes in working capital:</i>			
Inventories	1 782	7 980	(6 012)
Receivables, prepayments, deferred charges and accrued income	4 792	(8 832)	(15 400)
Deferred income	56 518	31 499	34 403
Payables, advances received, accrued charges and deferred income	(23 383)	(3 514)	45 336
Cash flow from operations	378 471	343 255	352 037
Interest received	7 273	5 060	4 034
Interest paid	(18 355)	(16 533)	(16 538)
Income tax paid	(54 270)	(61 295)	(34 702)
Net cash flows from operating activities	313 119	270 487	304 831
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	(138 520)	(141 113)	(121 616)
Purchase of intangible assets	(126)	(885)	(186)
Proceeds from sale of property, plant and equipment	605	4 502	653
Loan repayments received	22	39	44
Net cash flows from investing activities	(138 019)	(137 457)	(121 105)
Cash flows from financing activities			
Loans received	423 231	-	-
Loans repaid	(435 301)	(101 237)	(103 812)
Payments of financial lease	(95)	(41)	(40)
Dividends and payments related to share capital decrease paid	(59 426)	(128 113)	(27 531)
Net cash flows from financing activities	(71 591)	(229 391)	(131 383)
Effects of exchange rate changes on cash balance	(4)	(4)	(14)
Net increase (decrease) in cash and cash equivalents	103 505	(96 365)	52 329
Cash and cash equivalents at beginning of year	102 935	199 300	146 971
Cash and cash equivalents at end of year	206 440	102 935	199 300

Statement of changes in equity

VST, AB

STATEMENT OF CHANGES IN EQUITY (in LTL '000)	Share capital paid	Revaluation reserve for property, plant and equipment	Legal reserve	Retained earnings (deficit)	Total
Balance as at December 2004	3 718	1 422 189	29 866	99 467	1 555 240
Impact of hyperinflation adjustment	-	(254 493)	-	254 493	-
Restated balance as at 31 December 2004	3 718	1 167 696	29 866	353 960	1 555 240
Increase of the share capital	107 822	(107 822)	-	-	-
Transfer from legal reserve to retained earnings	-	-	(18 712)	18 712	-
Transfer from revaluation reserve to retained earnings	-	(112 750)	-	112 750	-
Hiperinflacijos poveikio koregavimas	-	(13 920)	-	13 920	-
Impact of deferred income tax to revaluation reserve, due to change in income tax rates	-	(7 780)	-	-	(7 780)
Net profit for the year	-	-	-	48 472	48 472
Total income and expense for the year	107 822	(242 272)	(18 712)	193 854	40 692
Dividends declared for 2004	-	-	-	(118 084)	(118 084)
Balance as at 31 December 2005	111 540	925 424	11 154	429 730	1 477 848
Transfer from revaluation reserve to retained earnings	-	(92 900)	-	92 900	-
Reassessment of deferred income tax	-	(2 513)	-	-	(2 513)
Net profit for the year	-	-	-	59 677	59 677
Total income and expense for the year	-	(95 413)	-	152 577	57 164
Dividends declared for 2005	-	-	-	(128 308)	(128 308)
Balance as at 31 December 2006	111 540	830 011	11 154	453 999	1 406 704
Revaluation of non-current assets	-	673 234	-	-	673 234
Transfer from revaluation reserve to retained earnings	-	(158 857)	-	158 857	-
Reassessment of deferred income tax	-	681	-	-	681
Net profit for the year	-	-	-	67 244	67 244
Total income and expense for the year	-	515 058	-	226 101	741 159
Dividends declared for 2006	-	-	-	(59 488)	(59 488)
Balance as at 31 December 2007	111 540	1 345 069	11 154	620 612	2 088 375

GENERAL FINANCIAL INDICATORS

Indicators	2005	2006	2007
EBITDA margin (percent by turnover)	33.3%	34.3%	33.7%
Operating profit margin (percent by turnover)	7.1%	10.3%	8.1%
Profit/ loss before taxes (percent by turnover)	5.7%	9.0%	7.1%
Net profit margin (percent by turnover)	5.8%	6.5%	6.4%
Return on assets (ROA), (percent)	2.0%	2.6%	2.2%
Return on shareholders equity (ROE), (percent)	3.3%	4.2%	3.2%
Return on capital employed (ROCE), (percent)	2.7%	4.5%	3.0%
Debt ratio	0.4	0.4	0.3
Debt - equity ratio	0.7	0.6	0.5
General liquidity ratio	1.1	1.1	1.7
Asset turnover	0.4	0.4	0.4
Earnings per share, LTL	13.0	16.1	18.1
Price/earnings ratio (P/E)	30.6	27.1	41.4
Share book value, LTL	397.5	378.4	561.7

General operating indicators during 5 years:

Indicators	2003	2004	2005	2006	2007
Turnover, million LTL	675.1	718.4	842.8	924.8	1053.8
Net profit, million LTL	-57.9	5.9	48.5	59.7	67.2
Share price, LTL	180.0	240.0	399.0	440.0	748.0

EXPLANATORY LETTER

The explanatory letter discusses material changes in financial statements and the reasons for such changes. Financial statements have been prepared in accordance with the International Financial Accounting Standards (IFAS).

Revenues

3 947 million kWh of electric power were sold to the consumers during 2007, 7.2 percent more comparing with 3 683 million kWh in 2006. Electricity sales revenue has increased due to increased amount of electricity sold during 2007.

During the report year the income from sales and services except financial activities was 1 059.3 million LTL (in 2006 –929.7 million LTL). The major part of income was from sales of electric energy:

Income, million LTL	2007	2006	Change, %
Income from the sales of electric power	1033.2	906.1	14
Sales of reactive energy	15.8	15.1	5
Income from connection of new consumers	4.7	3.6	31
Other income from operation	5.6	4.9	14
Total	1059.3	929.7	14

In 2007 income from financial activities was 8.2 million LTL (in 2006 – 5.2 million LTL). The increase of financial income was determined by efficient management of cash flow and active use of short-term investment instruments.

Expenditures

In 2007 the Company's expenditure was 974.1 million LTL while in 2006 it was 834.4 million LTL.

The biggest part of all expenditures consisted of electricity purchase and transmission expense (59.7 percent), the remaining part consisted of the relatively fixed expense for repairs, personnel etc. Repair and maintenance expense increased due to reconstruction and modernization works.

Operating expenses, million LTL	2007	2006	Change, %
Purchase of electric power	581.4	491.1	18
Depreciation and amortization	284.5	218.0	31
Wages, salaries and social security	56.0	50.7	11
Repair and maintenance expenses	39.4	36.6	8
Taxes except for the profit tax	1.4	4.2	-67
Utilities and communications expenses	5.7	5.4	6
Other	5.6	28.5	-80
Total	974.1	834.4	17

In 2007 expenses of financial activities were 18.6 million LTL (in 2006 – 16.7 million LTL), the biggest part of it was interest expenses –18.5 million LTL (in 2006 – 16.8 million LTL).

Non – current assets and investments

The carrying value of the non-current assets increased from 2 079,7 million LTL in 2006 to 2 735,8 million LTL in 2007. The increase was due to the revaluation of the Company's property, plant and equipment (except for construction in progress) which was made by external independent appraiser, Ober-Haus Nekilnojamasis Turtas UAB in 2007. Valuations were made on the basis of replacement cost, except for other assets (with no business specific features) that were revalued using comparable price method. Some of the objects, that service duration time was reduced to reconstruction date by the Company in 2006, were revalued by the Company itself considering replacement costs and values provided by the independent appraiser. In 2007 LTL 140,0 million were invested into development and maintenance of electric power distribution network (LTL 139,7 million in 2006).

Finished investment project value, million LTL	2007
Reconstruction of Amaliai 110/10 kV TP	11.9
Reconstruction of Šeduva 11/35/10 kV TP	8.6
Reconstruction of Taika 110/10/6 kV TP (6 kV part)	5.8
Reconstruction of Nemunas 110/10 kV TP	12.4
Reconstruction of Akmenė 35/10 kV TP	3.1
Reconstruction of Tytuvėnai 35/10 kV TP	2.6
Total	44.3

Amortisation of goodwill

VST has not calculated amortisation of goodwill; if necessary such calculation will be made in accordance with the International Financial Reporting Standards.

Current assets

The carrying value of current assets has decreased from 205.2 million LTL to 315.3 million LTL during the year 2007.

The current assets of the company in the end of the year, million LTL	2007	2006	Change, %
Inventory	7.8	6.5	20
Trade and other receivables	89.8	83.0	8
Prepayments, deferred charges and accrued incomes	11.3	12.7	-11
Cash and cash equivalents	206.4	102.9	101
Total	315.3	205.2	54

Financial liabilities

Long term borrowings in the end of 2007 were equal to LTL 298,9 million, short term borrowings – LTL 80,4 million (in 2006 – LTL 347,1 million and LTL 49,5 million, respectively). Financial lesase amounted to 119 thousand LTL.

Financial liabilities for banks in the beginning of 2007 were LTL 388,6 million, while in the end of the year – LTL 377,7 million (table below shows Company's financial liabilities for banks in the end of 2007 and 2006). The Company has overdraft contracts with AB bank "Hansabank", Nordea Bank Finland Plc Lithuania and SEB bank, AB. It is possible for the Company to borrow up to LTL 107 million using overdraft contracts. In the end of 2007 the Company's overdraft borrowings amounted for LTL 34,5 million.

Bank loans

Lender	Currency	Value of balance sheet (31/12/2006) million LTL	Payback, million LTL	Value in balance sheet (31/12/2007) million LTL
Nordea Bank Finland Plc Lithuania	EUR	-	-	34.5
Syndicated loan	EUR	388.6	45.5	343.2
Total		388.6	45.5	377.7

Joint Stock Company "VST" equity is not pledged under bank loans agreements.

Activity results

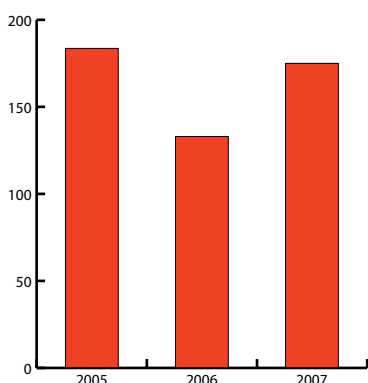
In 2007 the profit before taxes amounted to 74.8 million LTL. In the report year the expenses of income tax were 41.0 million LTL, and the benefits of deferred income tax – 33.4 million LTL. The net profit of the company in 2007 increased 12.68 percent from 67.2 million LTL to 59.7 million LTL.

Cash flows

Net cash flow from operating activities during 2007 increased from 270.5 million LTL to 313.1 million LTL. Also, net cash flow after investing activities increased 1.09 percent from 137.5.0 million LTL in 2007 to 139.0 million LTL in 2007.

Main factors influencing such a reduction were paid profit tax (61.3 million LTL) and investment allocation (139.7 million LTL).

Cash flows after investing activities, million LTL



Net increase in cash and cash equivalents can be explained by increased cash flows from operating activities as well as smaller payments in dividends and smaller amount of loans repaid.

Dividend paid

No dividend policy has been formulated by VST.

General meeting of the shareholders of the company held on 13 June 2007 adopted decision not to pay dividends to the shareholders. In 2006 LTL 59,488,000 were allotted for dividends (LTL 16 per ordinary registered share). The dividend per ordinary registered share paid in 2005 was LTL 34.51, in 2004 – LTL 31.76. No dividends were paid in 2003.

Dividends are paid according to Article 60(4) of the Republic of Lithuania Law on Companies, i. e. within one month from the date of adop-

Financial year	Dividends per share, LTL	Dividend lump sum/ net profit
2003	Dividends were not announced	-
2004	31.76	19.95
2005	34.51	2.65
2006	16.00	1.00
2007	Dividends were not announced to the day of the Report preparation	-

tion of decision on payment of dividends, through managers of securities accounts held by VST's shareholders and through the manager of securities issued by VST – AB Bankas Hansabankas.

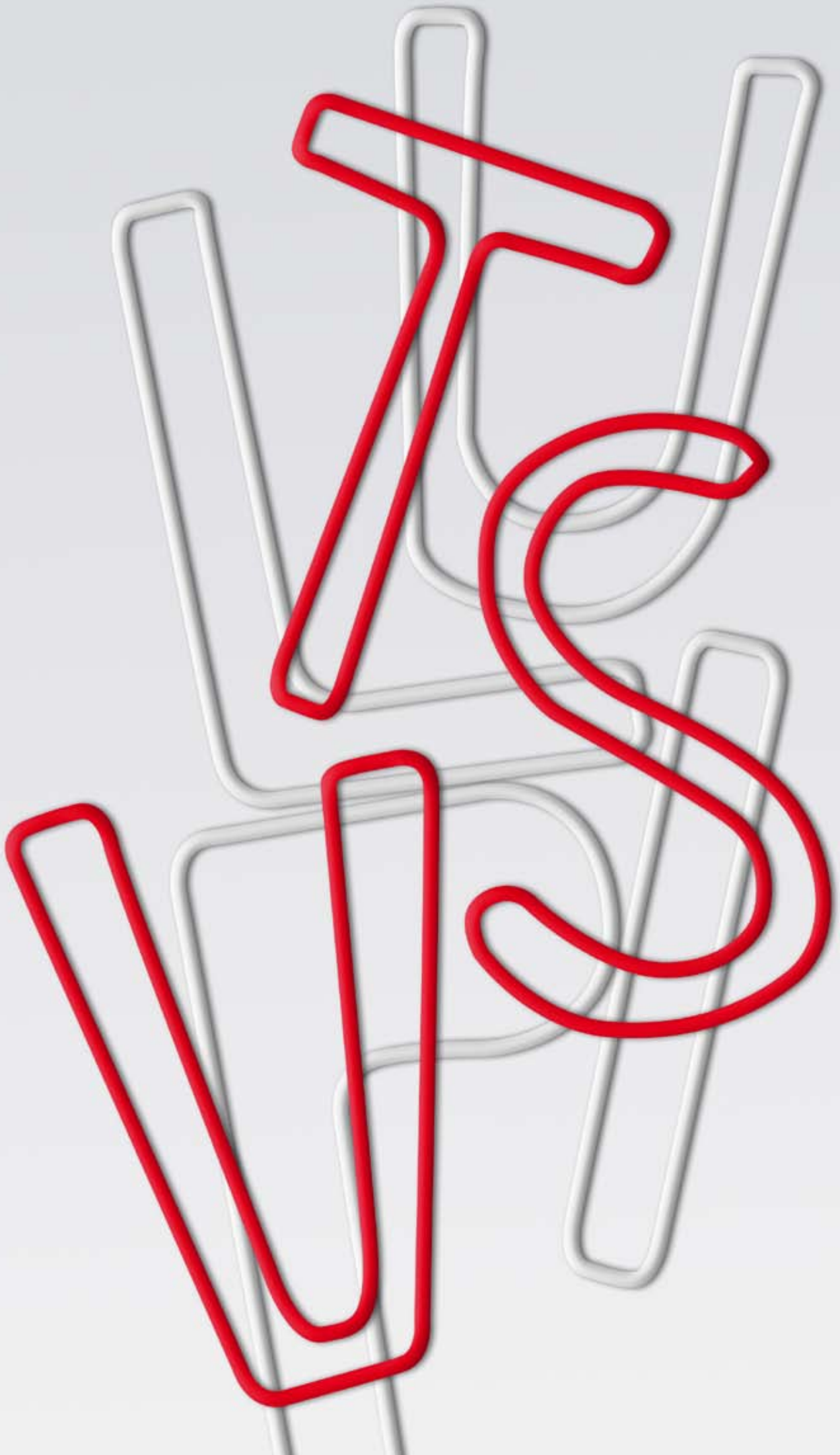
During the past five financial years no reduction of dividend took place according to the statutory provisions or provisions of the Articles of Association of the issuer. There were no cases of refusal of dividends by the shareholders.

Information about audit

The auditing of financial Reports of VST, AB for 2007 was performed by UAB „Ernst & Young Baltic“. The Audit Company and Asta Štreimikienė, the audit candidate, were approved by the Securities Commission of the Republic of Lithuania. (Resolution on the approval of the audit company and the auditor candidacy for VST, AB, No 2K-214, dated July 5, 2005). UAB “Ernst & Young Baltic” completed the auditing work and submitted the Audit conclusion on February 19, 2008.

Internal audit

At present VST has no internal audit unit, however, its formation is being considered.



Essential events in the activity of the Issuer

15 02 2008 VST, AB result for the year 2007

The Company's non-audited net profit for the year 2007 is 67.2 million LTL (19.6 million EUR) according to the International Financial Reporting Standards, in 2006 audited net profit was - 59.7 million LTL (17.3 million EUR).

The Company's revenue - 1 059 million LTL (306.7 million EUR) in 2007, compared with 928.6 million LTL (268.9 million EUR) in 2006.

In 2007 the Company sold 3 940 million kWh of electric power, compared with 3680 million kWh in 2006. According to the independent valuers, the Company's property, plant, equipment and other long term tangible assets accounted for as of 1 January 2007 amounts to 2 807 million LTL (812.9 EUR). In 2007 the Company invested 140 million LTL (40.5 million EUR) into electric power distribution and other property, plant and equipment.

30 11 2007 Prepared VST, AB interim financial report for nine months of 2007

VST, AB has prepared interim financial report for nine months of 2007 (attached) in accordance with the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission.

30 11 2007 National Control Commission for Prices and Energy announced electricity prices and tariffs

VST and their application procedure National Control Commission for Prices and Energy during the session held on November 30th made a decision to announce electricity prices and tariffs of VST, AB and their application procedure. This procedure had been confirmed by the board of VST, AB on the October 29th, 2007 by the protocol number 106. Starting from the 1st of January, 2008 end price for the I group consumers (household-consumers) will be the same as during the year 2007. The end price for the II-III group consumers will increase by 3ct/kWh (0.87 Euro cent/kWh) plus VAT. This information can be found on the Commissions web page <http://regula.lt>

29 11 2007 Concerning the meeting of the Board of VST, AB on 29th November, 2007

On 29th of November, 2007 the Board of VST, AB decided to reduce the distribution tariffs for household consumers, therefore the electricity prices for residents shall not be raised from 1st of January, 2008.

28 11 2007 Concerning the meeting of the Board of VST, AB on 29th November, 2007

On 29th of November, 2007 the Board of VST, AB shall consider the possibility at the expense of company's profit to reduce the distribution tariffs, in order the electricity prices for residents would not change from 1st of January, 2008

31 10 2007 The National Control Commission for Prices and Energy ratified the end-user energy price cap for VST, AB for the year 2008

The National Control Commission for Prices and Energy during the session held on October 30th ratified the end-user energy price caps for VST, AB for the year 2008:

- The end-user price cap for electricity consumers connected to the 110 kV or higher power grid is 17,28 ct/kWh or 5,00 Euro cent/kWh (currently - 13,76 ct/kWh or 3,99 Euro cent/kWh);
- The end-user price cap for electricity consumers connected to the 6 kV but not higher than 110 kV power grid is 25,51 ct/kWh or 7,39 Euro cent/kWh (currently - 21,13 ct/kWh or 6,12 Euro cent/kWh);
- The end-user price cap for electricity consumers connected to the 0,4 kV power grid is 35,87 ct/kWh or 10,39 Euro cent/kWh (currently - 30,3ct/kWh or 8,78 Euro cent/kWh);

This information can be found on the Commission's web page <http://www.regula.lt>.

31 10 2007 2007 Q3 activity result of VST, AB

Preliminary pre-audit 2007 Q3 activity result of VST, AB is LTL 42 mil. (EUR 12.2 mil.) net profit.

26 10 2007 The Board of VST AB elected the Chairman

The Board of VST AB on October 26, 2007 elected Aidas Ignatavičius the Chairman of the Board.

26 10 2007 The decisions adopted in the General meeting of the shareholders of VST, AB on October 26, 2007

The General shareholders meeting of VST, AB held on October 26, 2007, adopted the following decisions:

1. The item of the agenda "The elections of the audit company for auditing company's financial statement for 2007 and setting the terms and conditions of payment for audit services."

1.1. To elect UAB „Ernst & Young Baltic“ to audit the financial accounting of 2007 and to pay not more than LTL 140,000 (VAT excluded) for the audit services.

2. The item of the agenda "The election of the Board of the company."

2.1. To elect the new Board of VST AB for the term of 4 (four) years. The new Board consists of:

- 1) Aidas Ignatavičius;
- 2) Rytis Borkys;
- 3) Gytis Kundrotas;
- 4) Lina Minderienė.

2.2. To decide that the newly elected Board of VST AB will start its activities after the shareholders meeting on October 26th, 2007, which elected the new Board has ended.

12 10 2007 Renewed agenda of the General meeting of the shareholders of VST, AB

On October 11, 2007 the Board of VST AB, after taking into consideration the proposal of one of the shareholders (UAB „NDX energija“, which owns 97,10 per cent of the shares of VST AB), adopted the decision to renew the agenda of the the General shareholders meeting of VST AB which is called on October 26, 2007 by adding the second question („Election of the Board of the company“).

21 09 2007 Regarding the general meeting of the shareholders of VS, AB

The Board of VST AB (identification code: 110870748) on September 21, 2007 adopted a decision to call the General shareholders meeting of VST AB and approved the agenda of the meeting.

17 09 2007 Correction: VST, AB annual report - prospectus of the year 2006

Corrected VST, AB annual report-prospectus of the year 2006

31 08 2007 VST, AB interim financial report for six months of 2007

VST, AB interim financial report for six months of 2007 and interim report.

26 07 2007 VST, AB non - audited activity result for the first half of 2007 and Chief Executive Officer change

VST, AB non - audited activity result for the first half of 2007:

- Revenue - 525.8 million LTL (152.3 million EUR) (first half of 2006 - 472.7 million LTL (136.9 million EUR); audited for the year 2006 - 928.6 million LTL (268.9 million EUR)).

- EBITDA - 183.4 million LTL (53.1 million EUR) (first half of 2006 - 170.2 million LTL (49.3 million EUR); audited for the year 2006 - 316.8 million LTL (91.7 million EUR)).

- net profit - 30.3 million LTL (8.8 million EUR) (first half of 2006 - 24.5 million LTL (7.1 million EUR); audited for the year 2006 - 59.7 million LTL (17.3 million EUR)).

VST, AB Chief Executive Officer change.

From the August 6th, 2007 Aidas Ignatavičius, at this moment working as the Director of Power supply and Branch Management division of VST, AB has been appointed the Chief Executive Officer of VST, AB replacing Darius Nedzinskas. From the August 6th, 2007 Darius Nedzinskas will hold position of the Chairman of the Board and the Chief Executive Officer of „NDX energija“, UAB group.

27 04 2007 The decisions adopted in the General meeting of the shareholders of AB "VST" on April 27, 2007

The General shareholders meeting of AB "VST", held on on April 27th, 2007, adopted the following decisions:

1. The item of the agenda "The consideration of the 2006 Annual report of AB "VST":

1.1. Accept the 2006 annual report of AB "VST".

2. The item of the agenda "Approval of the 2006 financial statements of AB "VST":

2.1. Approve the 2006 financial statements of AB "VST" audited by the audit company UAB „Ernst & Young Baltic“.

3. The item of the agenda "Distribution of 2006 profit (loss) of AB "VST":

3.1. Approve the distribution of 2006 profit (loss) of AB "VST".

3.2. Pay dividends to the shareholders of AB "VST" in the amount of 16,00 LTL (4,63 EUR) per one ordinary registered share of the company.

3.3. Designate, that the right to receive dividends, set in the Clause 3.2 herein, shall have those persons, which on the end of the day of the general shareholders meeting, which decided to pay dividends, i.e. on the end of April 27, 2007 shall be the shareholders of AB "VST". The dividends to such persons should be paid according to the paragraph 60 part 4 of the Lithuanian Republic Law on Companies, i.e. in one month from the adoption day of the decision to pay dividends, payment being made through the company's shareholders' issuer accountants and the company's (issuer's) issuer accountant - AB bankas "Hansabankas".

27 04 2007 Preliminary pre-audit 2007 1Q activity result of VST AB

Preliminary pre-audit 2007 1Q activity result of VST AB is LTL 24.9 mil. (EUR 7.21 mil.) net profit before taxes.

16 04 2007 The drafts resolutions of the general meeting of the shareholders of AB "VST"

According to the decision of the Board of AB "VST" a general shareholders meeting is called on April 27th, 2007 and shall take place at the offices of the Company 5th floor, J.Jasinskio 16c, Vilnius, at 11.00 AM. The shareholders will be asked to approve the following items:

1. The item of the agenda "The consideration of the 2006 Annual report of AB "VST":
 - 1.1. Accept the 2006 annual report of AB "VST".
2. The item of the agenda "Approval of the 2006 financial statements of AB "VST":
 - 2.1. Approve the 2006 financial statements of AB "VST" audited by the audit company UAB „Ernst & Young Baltic“ (attached).
3. The item of the agenda "Distribution of 2006 profit (loss) of AB "VST":
 - 3.1. Approve the distribution of 2006 profit (loss) of AB "VST" (attached).
 - 3.2. Pay dividends to the shareholders of AB "VST" in the amount of 16,00 LTL (4,63 EUR) per one ordinary registered share of the company.
 - 3.3. Designate, that the right to receive dividends, set in the Clause 3.2 herein, shall have those persons, which on the end of the day of the general shareholders meeting, which decided to pay dividends, i.e. on the end of April 27, 2007 shall be the shareholders of AB "VST". The dividends to such persons should be paid according to the paragraph 60 part 4 of the Lithuanian Republic Law on Companies, i.e. in one month from the adoption day of the decision to pay dividends, payment being made through the company's shareholders' issuer accountants and the company's (issuer's) issuer accountant - AB bankas "Hansabankas".

Profit (loss) distribution project proposed to approve in a general shareholders meeting:

1. Retained earnings at the beginning of the financial year 33 010 331 LTL (9 560 452,68 EUR);
2. Net annual operating result (profit/loss) 59 677 144 LTL (17 283 695,55 EUR);
3. Profit (loss) of the financial year that is unrecognized in the profit (loss) statement 0 LTL (0 EUR);
4. Transfers from reserves:
 - 4.1. Transfer from revaluation reserve 361 312 045 LTL (104 643 201 EUR);
 - 4.2. Transfer from compulsory reserve 0 LTL (0 EUR);
5. Shareholders' contributions to cover losses (if shareholders decided to cover all or a portion of losses) 0 LTL (0 EUR);
6. Total distributable profit (loss) 453 999 520 LTL (131 487 349,40 EUR);
7. Profit allocation to the compulsory reserve 0 LTL (0 EUR);
8. Profit allocation to the reserve to purchase company's own shares 0 LTL (0 EUR);
9. Profit allocation to other reserves 0 LTL (0 EUR);
10. Profit allocation to pay out dividends (16 LTL per 1 share, i.e. 4,63 EUR per 1 share) 59 487 968 LTL (17 228 906,39 EUR);
11. Profit allocation to yearly pay outs to board and council members, employee bonuses and other purposes 0 LTL (0 EUR);
12. Retained earnings carried forward to next financial year 394 511 552 Lt (114 258 443 EUR).

23 03 2007 The General meeting of the shareholders of AB "VST"

The Board of AB "VST" on March 23, 2007 adopted a decision to call the General shareholders meeting of AB "VST" and approved the agenda of the meeting.

28 02 2007 Activity result for 2006 of VST AB

AB "VST" in the year 2006 earned 59,68 mln. litas (17,28 mln. EUR) audited net profit, calculated according to International Financial Reporting Standard.

VST, AB
J. Jasinskio str. 16C, LT-01112 Vilnius
Phone (8 5) 2781 259
Fax (8 5) 2781 269
E-mail: vst@vst.lt
www.vst.lt