

VST

KAD GYVENTI BŪTŲ ŠVIESIAU

VST, AB Annual Prospectus - Report of the year 2006



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 ACHIEVEMENTS:

High client service culture – a responsible team of specialists employed by the company, uniform client service standards, modern client service centres, and new services offered to clients. Abilities of employees are regularly assessed, their qualification is upgraded, trainings are organised.

Consistent investments – consistent and substantial investments are made in the modernisation of the electricity network and the improvement of the quality of services rendered.

Constant fight against thieves of electricity, cables and transformers' oil – the line of confidence is accessible free of charge, a modified oil for transformers was developed, cooperation with police officers is maintained, protection of electricity substations was increased.

Openness for the public – constant provision of information to the public on the company, its activity, services rendered, plans, the name and activity of the company is actively promoted, a positive image of the company is formed working under the principles of transparency and quality.

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VST, AB Annual report 2006



Dear Shareholders of VST AB,

2007: Firm Steps Towards Ambitious Goal

In the last three years VST, AB has become known to the public. Nowadays, the name of the Company is associated with ongoing increase in investment in old electrical equipment and gradual improvement of service quality. In western Lithuania, where the Company's main business is located, power consumers have felt positive changes in the areas of customer service and provision of new services. Development of the modern Company has been based on quality customer service and result-oriented teamwork. Robust and focussed improvement of service quality has brought VST, AB closer to the ambitious goal of becoming the best regulated service provider in Lithuania by the year 2010.

This year, the strategic direction of the Company stays the same as last year. In 2007, planned activities include sustain the rate of investment in old distribution networks at current level, further improving the quality of services provided, decreasing electricity costs and own expenses, fighting against electrical wiring and transformer oil thieves, streamlining the existing services, and launching new ones.

Customer Satisfaction of Paramount Importance

Customer feedback is critical in assessing the quality of our activities, thus customer satisfaction with services will remain the key factor in meeting the Company's strategic goals and assessing its performance this year.

The introduction of uniform customer service standards was the first step towards focusing on the effective customer-oriented operation. The performance of the Company has substantially improved since the opening of a number of new customer service centres. Staff training has given great results on improved customer service too. An opinion poll on power supply conducted in January this year has shown that VST, AB had made considerable progress in the field of customer service during the last year. Currently, both residents and businesses see VST, AB as a stable and trustworthy company which always shows strong commitment to its customers.

New Services – Enhanced Customer Convenience

Three modern client service centres have been opened in Kretinga, Kaišiadorys, and Pakruojis in 2006. This year, a modern centre will open doors in Gargždai. Furthermore, legal persons - organizations have been introduced to a new service: remote reading of used electricity data, which makes the paying for the consumed power easier for businesses since they do not need to declare their meter data and bills are received without delay. In a short time, a new electronic bill service will be introduced to the customers of the Company.

Sustained Investment

Investment in old electric equipment will ensure the quality of the services provided. The Company has inherited distribution networks that had been in operation for several decades and had depreciated. As a result, previously, VST, AB could not ensure quality power supply to its customers. A minor failure would leave thousands of residents without electricity for several hours, even several dozen hours sometimes. Frequent power supply disruptions had caused considerable damage to businesses. Sustained investment has stabilised the situation. In the last three years, VST, AB has built 647 new transformer substations providing electricity to thousands of the Company's customers. The experts of the Company have laid nearly 1,200 kilometres of wires, including as many as 1,020 kilometres of underground cable lines, ensuring power supply under any weather conditions. Only investment can help improve the service quality and gradually modernise the old electric equipment. Therefore, investment will remain at its recent levels this year and will stay similar in the future.

Reducing Own Expenses

Following the modernisation, VST, AB has paid special attention to reducing energy costs and own expenses last year. Excessively high energy costs and own expenses remain a weak point of the Company. The electric equipment is not up to date; therefore, it is only natural that technological losses are high. However, it must be acknowledged that a lot depends on the Company too. Though the results are not satisfactory yet, positive action has been taken in order to reduce the energy costs: old low-quality energy metering equipment has been changed and systematically checked, electricity consumption analyses have been carried out, metering equipment has been moved outside of buildings, metering data has been carefully recorded, and medium voltage transformers have been placed under special observation, etc.

Staff Professional Proficiency and Timeliness

One of the strategic targets for the years 2006 and 2007 is decreasing the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI). Yet another target is shortening and improving the process of making technical arrangements available to the customers of the Company. The time for providing the arrangements will be limited to 10 days at most. Better planning, organisation and coordination of the work performed by contractors, regular checks on electricity equipment, and focus on spotting

the weak points and eliminating failures is needed in order to decrease the SAIDI and SAIFI indices.

Thefts Still a Problem

Thieves, who steal wires and transformer oil, also cause power supply interruptions. Modified transformer oil, not usable as fuel, had been developed, which cut the numbers of oil thefts. However, wire theft statistics are still disappointing. 5.7 tons of non-ferrous metals have been stolen from electricity lines last year. More than two thousand VST, AB customers suffered from power supply interruptions. Tough measures to fight thieves, secure the assets of the Company and protect the customers from possible power supply interruptions will be maintained this year. Modified oil will remain in use in transformers, residents will be informed about the potential harm of such oil, raids will continue on scrap metal dealers and the security of transformer substations will be tightened in the near future.

Open to Public

VST, AB is expecting to further improve customer satisfaction with its services and continue to inform the public about the Company, its activities and plans in the year 2007. TNS Gallup, the leading media research and advertising monitoring company in Lithuania, conducted an opinion poll in January, which showed that the group of residents aware of VST, AB had swollen to approximately 10 percent. Increasingly many residents and businesses see VST, AB as a reliable, stable and effective modern company which provides quality services and always takes good care of its customers. The Company has become known to the public. More and more people learn about VST, AB from customer service centres and regional press, not only from their friends and neighbours. In addition, VST, AB staff members receive increasingly positive responses from the customers. The majority of people who contact the Company are satisfied with the assistance of the skilful experts who are willing to help out with any problems in the quickest possible time. VST, AB has become synonymous with top quality services provided by leading experts, which shows that the Company is on the right track.

However, VST, AB bears in mind that experts are always subject to higher requirements and vigilance as well as to rigorous assessment. With the aforesaid targets set down, the way back is not an option. This year, the Company will work to move closer to the ambitious, though achievable, goal: to become the best regulated service provider in Lithuania by the year 2010.



Sincerely,

Darius Nedzinskas

Chief Executive Officer



We maintain 57,000 kilometres of overhead and cable lines – if we connected them together, we would easily encircle the Earth along the equator.

I. General provisions

1. Accounting period covered by the Annual Report

The Report has been prepared for the year 2006 (the financial year of the company corresponds to the calendar year).

2. Key data on the Issuer

Name of the company:	VST, AB
Address of its headquarters:	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

3. 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

4. Information on where and when the Report and the documents, on which the Report is based, are publicly available and the name of the mass media means

The Report is available during work days from Monday to Thursday including, from 7:30 a.m. to 16:30, and on Fridays from 7:30 a.m. to 15:15 at the headquarters of the company at the address: J. Jasinskio str.16 C, Vilnius, Department of Marketing and Public relations. Also, the Report is available in the Company's internet site www.vst.lt.

The Company's VST, AB mass media means for public information are daily newspapers "Lietuvos rytas" and "Respublika", Lithuanian news agency ELTA and the news agency BNS.

5. Persons in charge of the information contained in the Report:

Position	Full name	Telephone No, Fax No.
Chief Executive Officer	Darius Nedzinskas	(8 5) 2781 200, (8 5) 2781 201
Chief Financial Officer	Antanas Poška	(8 5) 2781 200, (8 5) 2781 201
Head of the Economic and finance department	Kęstutis Jaržemskas	(8 5) 2781 259, (8 5) 2781 269
Accounting Department Manager, Chief Accountant	Lina Minderienė	(8 5) 2781 259, (8 5) 2781 269
Head of the Marketing and Public relations department	Rasa Kruopaitė - Lalienė	(8 5) 2781 259, (8 5) 2781 269

5.2. Consultants

6. Confirmation of the members of Issuer's managing bodies, its employees and head of administration responsible for the preparation of this report that information contained herein is true and there are no suppressed facts which could have an impact on investors' decisions to buy or sell the Company's securities, as well as the market price of those securities and their valuation.

The persons listed bellow hereby confirms that the information contained in the Report is true and correct and that there are no concealed facts, which might have essential influence on the decisions of investors:

Chief Executive Officer



Darius Nedzinskas

Chief Financial Officer



Antanas Poška

Head of the Economic and
Finance Department



Kęstutis Jaržemskas

Accounting Department Manager,
Chief Accountant



Lina Minderienė

Head of the Marketing and
Public relations department



Rasa Kruopaitė - Lalienė

21 May 2007, Vilnius



Each year we invest into the maintenance of the distribution network as much as it would take an average Lithuanian citizen to earn in more than 7,000 years.

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

7. Share capital

7.1. Share capital registered in the Register of companies

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

3 717 998 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	100,00
Total:	3 717 998	-	111 539 940	100,00

All shares of the company are fully paid.

7.2. Information on the prospective increase of the share capital by converting issued debt securities or derivative securities into shares

7.2.1. description, number, main characteristics, amendment term, and terms and conditions of debt securities or derivative securities being converted or exchanged for shares that grant the right to sign the issuer's shares;

7.2.2. the scope of the envisaged increase of the share capital due to conversion, exchange or exercise of the right of debt securities or derivative securities being converted, exchanged for shares or granting the right to sign the issuer's shares respectively, and the envisaged date (dates) of the increase of the share capital;

7.2.3. intended changes in the structure of the share capital (in terms of share types and classes) following conversion, exchange or exercise of right of debt securities or derivative securities being converted, exchanged for shares or granting the right to sign the issuer's shares;

7.2.4. the procedure and terms of the subscription to or exchange of new shares, when the share capital is increased by exchanging debt securities or derivative securities, or by exercising the right; the categories of the owners of debt securities or derivative securities, in respect of whom conditions were created to subscribe to the shares by the priority right (if granting the priority right to certain categories of the owners of debt securities or derivative securities was provided for in the terms and conditions of the issue of the mentioned securities).

8. Shareholders

The General meeting of the shareholders took place on 27 April, 2006. The number of the shareholders on the accounting day (April 20, 2006) was around 4 121.

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, companies' register 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
UAB "NDX energija", Ozo str. 25, LT-07150 Vilnius, 1262 11233	3 610 159	3 610 159	97,10	97,10	-

9. 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.

10. Data on non-publicly traded shares

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

11. Data on depository notes issued on the basis of shares

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

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

The company has not issued debt securities for public circulation.

13. Data on non-publicly traded debt securities

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

14. 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.



We take care to ensure that electricity reaches each house. Our service of distributing and supplying electric energy is of good quality, secure and reliable.

III. Data on the secondary circulation of the securities issued by the issuer

15. Securities included into the trade lists of stock exchanges

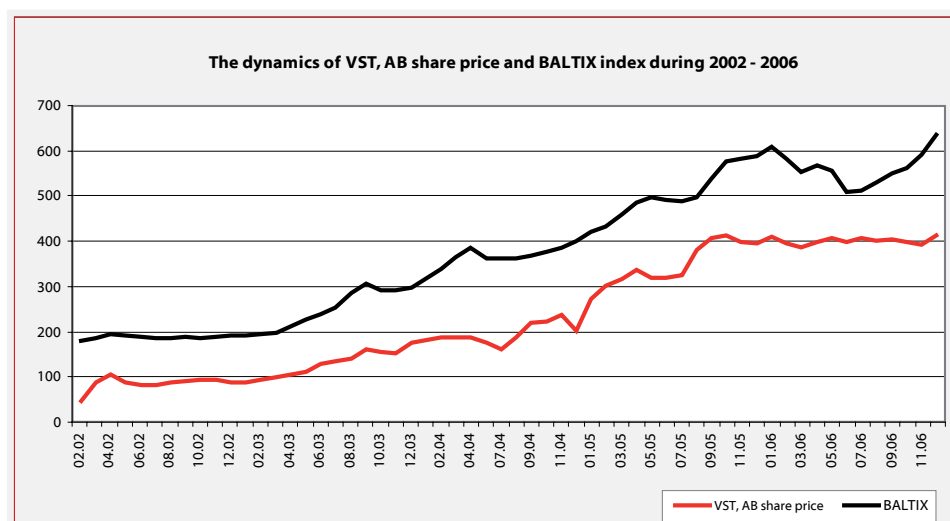
Ordinary registered shares of the VST, AB (from 02/12/2004 – 3 717 998 pcs., total par value 3 717 998 LTL, from 26/04/2005 – 3 717 998 pcs., total par value 111 539 940 LTL) are included into the list of Vilnius Stock Exchange. Security code is 12637.

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

16. The sales of the Issuer's securities on exchanges and other organized markets

16.1. The sales of the Issuer's securities on VSE

The average price of a share of the VST, AB was 403.4 LTL in 2006. The lowest price during the period was 375 LTL, when the highest amounted up to 435 LTL. See below the comparison of dynamics of the company's share price (average monthly price) and the BALTIX¹ index during 2002 – 2006.



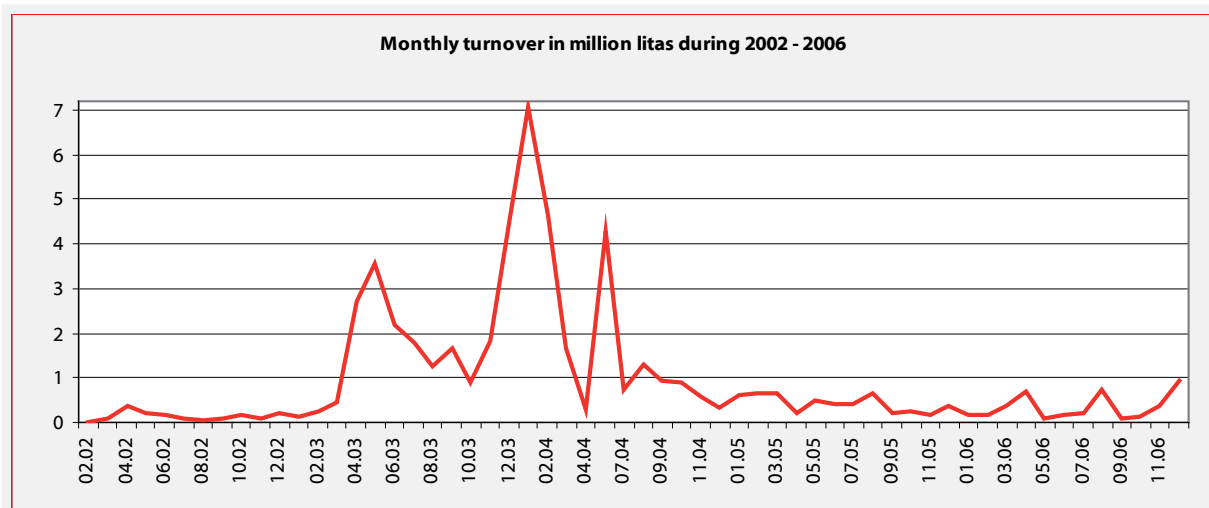
* The share price of the VST, AB is adjusted considering the changes of the share capital. The diagram shows the average price of VST, AB share at closing time in litas and the BALTIX index in points (The history of the BALTIX index goes back to the beginning of the year 2000. Base value of the index is 100 points).

Daily sales in VSE during 2005 – 2006

Report period	Price (LTL)			Turnover (LTL)			Data of last session	Quarterly turnover	
	max	min	Last session	max	min	Last session		Pcs.	LTL
1st quarter, 2005	330	240	330	256 169	0	0	31/03/2005	6 526	1 911 853
2nd quarter, 2005	350	317	325	106 107	0	12 670	30/06/2005	2 804	898 592,5
3rd quarter, 2005	420	320	409	210 011	0	0	30/09/2005	3 531	1 261 849
4th quarter, 2005	425	371	399	259 355	0	7 980	30/12/2005	1 929	773 153
1st quarter, 2006	423	375	390	79 345	0	3 900	31/03/2006	1 689	675 085
2nd quarter, 2006	415	381	387	143 606	0	8 224	30/06/2006	2 308	933 388
3rd quarter, 2006	417	390	400	530 400	0	4 838	29/09/2006	2 585	1 040 556
4th quarter, 2006	435	385	435	558 614	0	22 700	29/12/2006	3 476	1 410 439

¹ BALTIX index is a capitalisation- weighted return index, which includes the companies' shares listed on the Main (official) Lists of the Riga, Tallinn and Vilnius stock exchanges.

See below the average monthly turnover of shares in million litas during 2002-2006 at VSE:

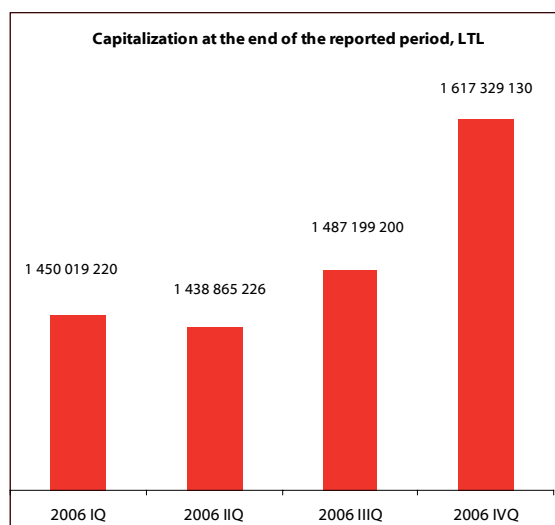


16.2. The sales of the Issuer's securities on other exchanges

16.3. The sales of the Issuer's securities on other organized markets

17. Capitalization of securities

Report period*	Capitalization, LTL
1 st quarter, 2006	1 450 019 220
2 nd quarter, 2006	1 438 865 226
3 rd quarter, 2006	1 487 199 200
4 th quarter, 2006	1 617 329 130
2006	1 617 329 130



* Capitalization is given as condition in the end of every period

18. 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.

19. Data on purchasing of own shares by the Issuer

The company has not purchased its own shares.

20. Announcement of official offers

During 2006 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.

21. Issuer's paying agents

None.

22. 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

A stylized illustration in grayscale. In the foreground, a person is seated at a desk, viewed from behind, working on a computer. The desk has a monitor, a keyboard, and a mouse. In the background, another person stands behind a counter, possibly a service desk. The background features a window with several balloons of different shades. The letters 'VST' are printed in a bold, sans-serif font in the upper right corner.

VST

We work for you: we are a responsible company that provides professional and good quality services.

IV. Data on the activity of the issuer

23. Legal grounds for the Issuer's activities

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.

24. Participation in the associated structures

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 Siauliai industrialists", "Klaipeda 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).

- Klaipeda Association of Industrialists began its activity in 1990. It is an independent non-profit making incorporation of the industry and businesses in Klaipeda 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 Klaipeda region belong to the Klaipeda Association of Industrialists (See more www.kpa.lt).

- Association of Siauliai 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).

Petras Jasinskas, the Head of the strategic planning department of VST, AB is a member in the Energy Committee of the Lithuanian Confederation of Industrialists. The VST, AB does not participate in the capital of the members of those associations.





25. Short history of the Issuer

The company was established while the reorganization of the SPAB "Lietuvos energija" took place, when the Parliament of the Republic of Lithuania on June 8, 2001 adopted the Law on Reorganization of the special joint stock company "Lietuvos Energija". 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 Lt each was valid. After the expiry of the public offering UAB "NDX energija" owned 96.51 percent of the company's shares.

During 2004 a new administration team has been built, internal procedures have been changed and a new order has been established.

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 company's mission, vision and values of the operation became the foundation for the key principles of the company operation. The Company introduces customer service standards; training for the customer service personnel – managers, dis-

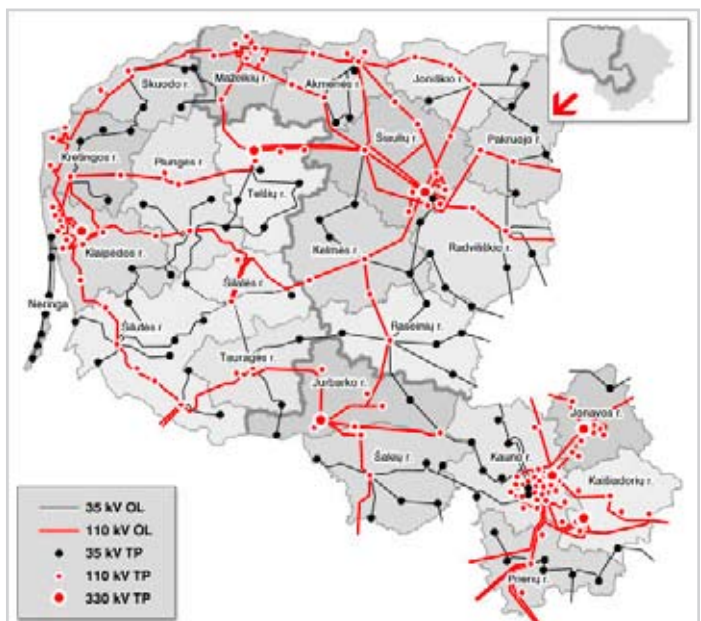
patchers, engineers, administrators and others - is organized. Modernization of the customer service centres is taking part.

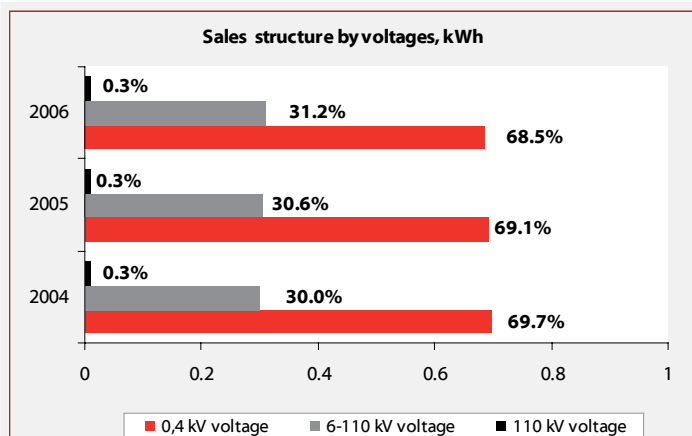
The company declared the goal until 2010 to become the best company supplying regulated services, and defined the ways to do that. During previous years the company put efforts to lower the losses of electric power, to improve the condition for issuing terms of references; to encourage the payment for the supplied services in due time. Also investigations on customers' satisfaction were performed; the average annual duration of disconnection from the electric power network was decreased.

26. Description of production (services)

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 scheme of the distribution network controlled by the





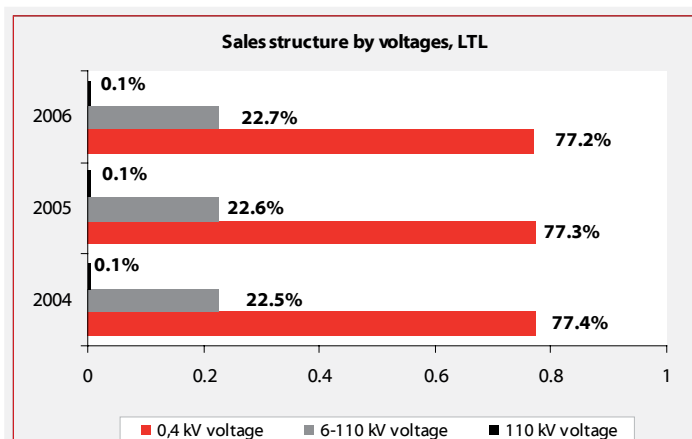
■ Sales and revenues

During the last 3 financial years the company totally sold 10 411 million kWh of electric power and obtained 2 355 million LTL income from the main activity.

In 2006, 3 680 million kWh of electric power were sold to consumers, i.e. by 6.8 percent more than during previous years (2005 – 3 446 million kWh, 2004 – 3 285 million kWh).

Most income (77 percent) VST, AB gets from the sales of electric power from 0.4 kV voltage lines.

Income from the main activity in 2006 made 99 percent of total income of the company, i.e., the same as in 2005.



Income structure of VST, AB in 2004 – 2006

Income, million LTL	2004	2005	2006
Income from the sales of electric power	702.8	826	906.1
Reactive energy (power)	13.7	14.3	15.1
Incomes from connection of new consumers	1.8	2.4	3.56
Other incomes from the main activity	6.2	3.6	3.85
Total	725.4	846.7	928.6

Key parameters of the company from the start of its operation

Parameter	2002	2003	2004	2005	2006
Turnover, thousand LTL	653 578	675 086	718 360	842 781	924 779
Net profit, thousand LTL	28 300	- 57 860	5 918	48 472	59 677
Share price, LTL	0.75	1.66	240.35	399.00	435

■ 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 2006 were approved by the National Prices and Energy control Commission by its resolution No.03-67, dated November 22, 2005. Since January 1, 2007 electric power prices and tariffs came into force; they were approved by the National Prices and Energy control Commission by its resolution No.03-85, dated November 21, 2006. 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).

The average price of electric energy sold by The Company was 0.246 LTL per one kWh, in 2005 – 0.240 LTL per one kWh, in 2004 – 0.214 LTL per one kWh.

Parameters of the company's operation

Parameter	2004	2005	2006
EBITDA margin (percent by turnover)	24.67%	33.31%	34.22%
Operating profit margin (per cent by turnover)	1.71%	7.11%	10.22%
Profit/ loss before taxes (per cent by turnover)	1.45%	5.66%	9.04%
Net profit margin (per cent)	0.82%	5.75%	6.45%
Return on assets (ROA)	0.24%	1.97%	2.61%
Return on shareholders equity (ROE)	0.38%	3.28%	4.24%
Debt ratio	0.37	0.4	0.38
Debt –equity ratio	0.59	0.66	0.62
General liquidity ratio	1.25	1.14	1.09
Asset turnover	0.29	0.35	0.4
Earnings per share, LTL	1.59	13.04	16.05
Price - earnings ratio (P/E)	151.16	30.6	27.1
Share book value, LTL	418.30	397.48	378.35

■ Investment into the renovation and the development of the network

In 2006 139.7 million LTL were invested into development and maintenance of electric power distribution network.

The Company started one of the key projects of the year: the construction of the transformer substation in the centre of Kaunas. This 110/10 kV transformer substation will be the most modern of its kind in Lithuania. The Company has invested 11 million LTL into the construction of the substation.

Following the installation of the SCADA (Supervisory Control and Data Acquisition) systems, the experts of the Company will be the first to know about any minor power fluctuations, as, previously, VST, AB customers informed the experts about power outages. The systems to be installed in Kaunas, Plungė, Radviliškis, and Šilalė will cost the Company more than 13 million LTL. The Company continues modernization of transformer substations. Reconstruction of transformer substations in Plungė and Šeduva was completed already. The Company had allocated 14.7 million LTL for the modernization. In October, the reconstruction of Noreikiškės transformer substation was finished, too. The thorough reconstruction and modernization

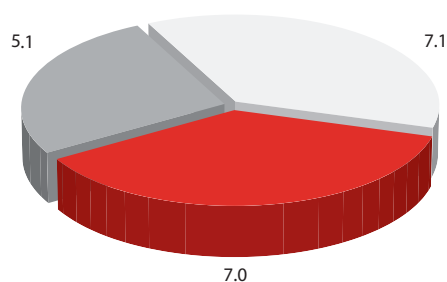


of the substation, which is situated in Kaunas area, required the investment of 4.3 million LTL. Also, investment projects worth millions of litas are being implemented in Tytuvėnai and Akmenė in order to ensure quality power supply to the customers of the Company. The modernization project of Salantai transformer substation situated in Klaipėda area is almost complete. The Company invested 4.15 million LTL into the renovation. Nearly 2,000 of VST, AB customers are supplied with power from the aforesaid substation, including residents of Salantai and nine neighboring towns. Amaliai transformer substation is also under reconstruction. It distributes power to Dainava Clinic in Kaunas, several educational institutions, Girstupis Police Station and many other entities. 8.7 million LTL was invested into the reconstruction project.

Taikos transformer substation in the centre of Klaipėda is also being updated. The substation supplies power to 17,000 residents of Klaipėda and several major companies. Its reconstruction is close to being complete. VST, AB has invested nearly 10 million LTL into the project.

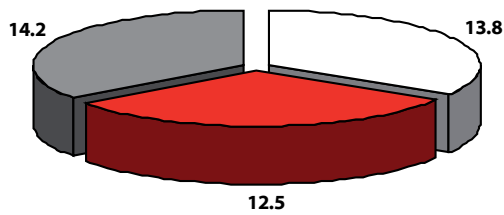
In 2006 10-0.4 kV and 110–35 kV electricity networks investments for development and maintenance amounted to 19.2

10 - 0.4 kV electricity network investment, million LTL



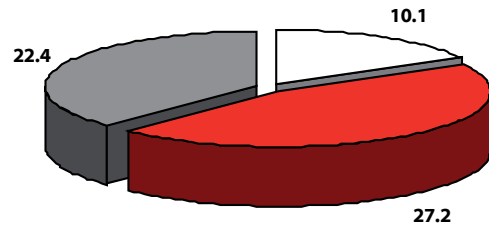
■ Šiauliai region ■ Klaipėda region ■ Kaunas region

110-35 kV electricity network investment, million LTL



□ Šiauliai region ■ Klaipėda region ■ Kaunas region

Investment for new customers connection, million LTL



□ Šiauliai region ■ Klaipėda region ■ Kaunas region

million LTL and 40.5 million LTL, accordingly. Most 110–35 kV electricity networks investments were Kaunas region, 10-0.4 kV electricity networks – Klaipėda and Šiauliai region. During the year of 2006 there were connected 9 242 new customers (120 963 kW power). Investment for new customer's connection amounted to 59.6 million LTL and the biggest part was allocated in Klaipėda region.

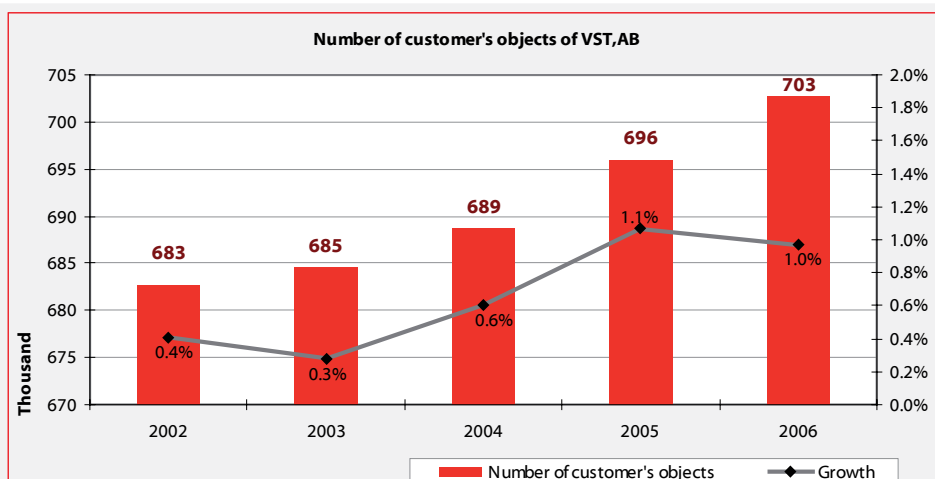
As in 2006, in the year 2007 it is planned to continue the network renovation and development works by allocating funds for investment.

■ **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.



27. Sale markets

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 696 thousand customers. This number is constantly increasing. See the chart of customer objects number increase.

The biggest part of the electric power distributed and supplied by the Company (about 32.6 percent) is bought by other companies. The remaining part of electric power is consumed by residents and budget organizations.

As one can see from the diagram, the demand for electric power has grown in all customer groups during the reported year. The biggest increase of electric power consumption was in Households and Other consumers groups. Since 2004 the quantity of electric power consumed by households increased by 11.4 percent, agricultural consumers - by 7.6 percent, budget organizations – by 1.9 percent, other consumers (where the biggest part is non industrial companies) – by 29.95 percent.

VST, AB signs termless contracts with its customers. The amount of revenue from the biggest customer was 1.5 per-



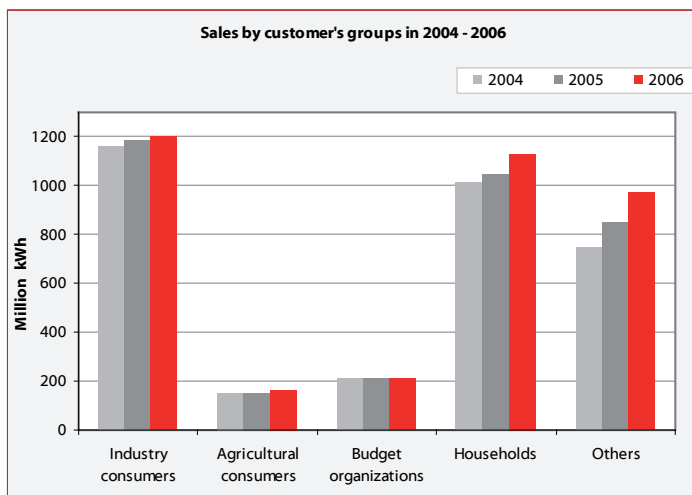
cent the whole company's revenue for electricity sold, therefore, the Company is not dependent on any customer.

After the privatization of the company a big attention has been paid to the improvement of the customer service quality. Funds were allocated not only for the reconstruction of the distribution network, but to the improvement of customer service quality as well. During the year 2006 more than 2.5 million LTL were invested in new centres of customer service in Kaišiadorys, Pakruojis and Kretinga.

Customer service standards were introduced in the company and training for the customer servicing staff – for managers, dispatchers, engineers, administrators and other employees is organized.

28. Supply

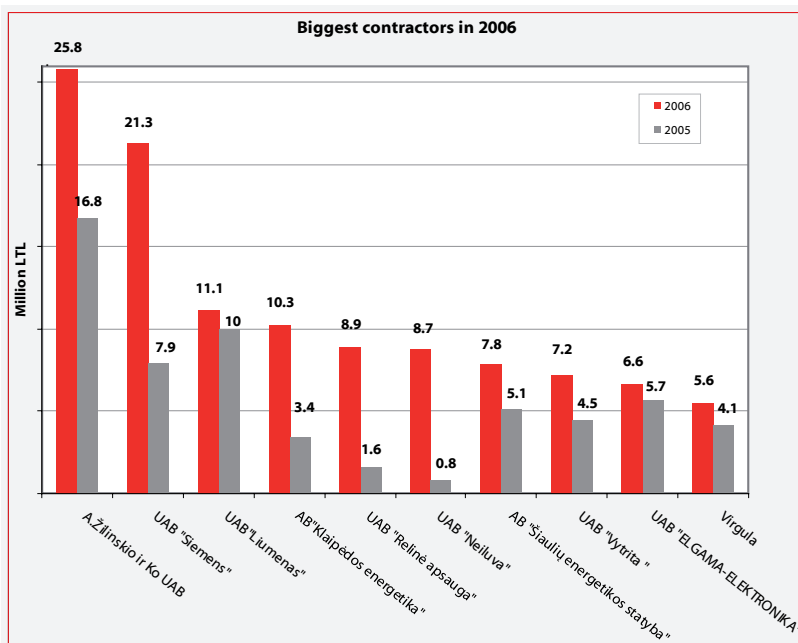
The main producer and supplier of electric power for the company is the State enterprise (SE) "Ignalinos atominė elektrinė" (Ignalina nuclear power station). It supplied 55 percent of electric power in average during recent years.



No	Name of the power station (owner)	Type of deal	2004		2005		2006	
			Million kWh	Million LTL (VAT excl.)	Million kWh	Million LTL (VAT excl.)	Million kWh	Million LTL (VAT excl.)
1	SE "Ignalinos atominė elektrinė"	Contractual	2 423.90	158.2	1 833.7	120.7	2 120.0	139.5
2	AB "Lietuvos energija"	Additional	470.3	33.7	860.2	63.8	1 102.3	95.1
3	AB "Lietuvos energija"	VIAP	596.4	94.3	616.3	95.7	652.8	96.2
4	UAB Kauno termofikacinė elektrinė	Contractual	152.4	9.9	227.4	14.8	156.1	10.2
5	Small power stations	VIAP	29.5	6	31.7	6.5	33.8	6.9
6	AB "Klaipėdos energija"	VIAP	20	2	20	2.1	16.2	1.8
7	AB "Šiaulių energija"	VIAP	0	0	6.5	0.8	6.5	0.8
8	Small power stations	Contractual	0.2	0	2.6	0.1	0.2	0.0
9	AB "Klaipėdos energija"	Contractual	5.8	0.4	0.6	0	0.0	0.0
10	UAB Vilniaus energija	Contractual	22	1.4	238.1	15.5	0.0	0.0
	Total	El. power	3 720.4	305.9	3 837.3	320	4 087.8	350.5
	AB "Lietuvos energija"	Perdavimo paslauga	3 680.7	122.7	3 795.1	131.1	4 043.7	140.6

Long term contracts are concluded with the suppliers 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, close-down 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.

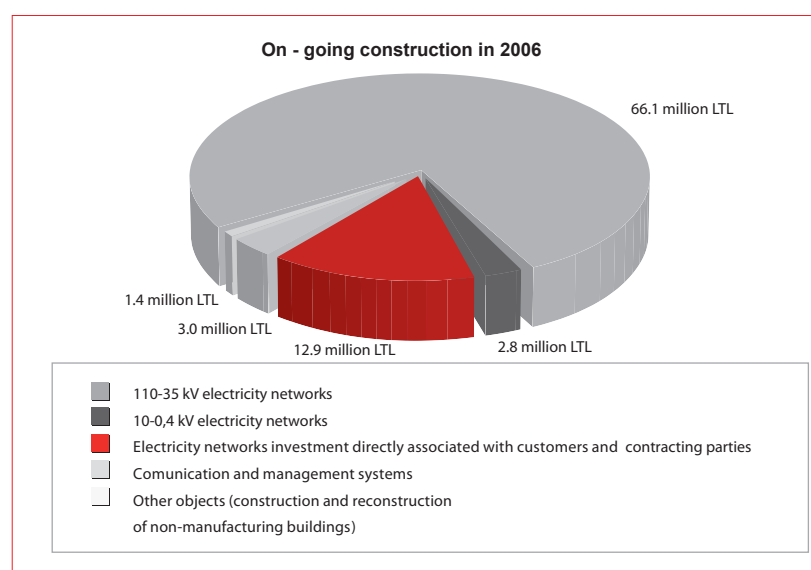
In order to ensure smooth development and renovation of the network, part of the works are done by contractors. Ten contractors, which performed most of the repair works and the investment in 2006, are given in the Chart. There are quite a number of contractors capable to perform the needed work; therefore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



29. Real estate and other main property

Due to the specific activity of the company's real estate is located in different parts of Western Lithuania. The headquarters of the company is in Vilnius, while main regional divisions are in Kaunas, Šiauliai and Klaipėda.

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 2006 the area of land rented from the state and used by the company was 117.3 ha: 33.2 ha - in Šiauliai region, 45.4 ha - in Klaipėda region and 38.7 ha in Kaunas region.

VST, AB owns under the ownership right the electro technical property, warehouses and transport fleet. The company owns non-current tangible assets with the remaining value of 2 079 091 thousand LTL for 31 December, 2006.

In accordance with the International Financial Reporting Standards, no less than every five years the company's tangible non-current assets are revaluated by external independent appraiser. Therefore the financial statements show the real value of the assets.

The long-term tangible assets consist of construc-

The biggest projects of on-going construction

tions, machinery, vehicles, and equipment (86.9 percent), also, buildings (8.9 percent) and on-going construction (4.2 percent). In 2002, when "Vakarų skirstomieji tinklai", AB was established, the company took from "Lietuvos energija", AB all the assets used in distribution activity. Since then the company is continuously making investments, with the aim to renew assets and extend their useful life.

■ On-going construction

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

Project	Start of project	End of project	Project value, million LTL	Project implementation, million LTL
Purchase and reconstruction of Smeltė (Rimkai) 110/10kV TS, Klaipėda	2005	2007	16.5	16.4
Reconstruction of Amaliai 110/10 kV TS, Kaunas	2004	2007	11.9	8.7
Reconstruction of Šeduvos 110/35/10 kV TS, Radviliškis region	2005	2007	8.6	8.2
Reconstruction of Plungė 110/10 kV TS, Plungė	2004	2006	6.5	6.5
Reconstruction of Taikos 110/10/6 kV TS (6 kV section), Klaipėda	2004	2007	5.8	5.3

30. Risk factors related to the activity of the Issuer

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.

Ecological:

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:

- 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 direct 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.

Technological:

Part of the electric power distribution network was installed in 1960s and before the privatization, had been repaired only when disorders of electric power supply occurred. Therefore, there must be allocated large recourses for modernization of old distribution networks.



Bank loans

Financial liabilities for banks in the beginning of 2006 were 489 million LTL, while in the end of the year – 388.6 million LTL (table below shows Company's financial liabilities for banks in the end of 2006 and 2005).

Lender	Currency	Value in balance sheet (2005 12 31) million LTL	Payback, million LTL	Value in balance sheet (2006 12 31) million LTL
AB bank "Hansabankas"	EUR	17.3	17.3	0
Nordea Bank Finland Plc Lithuania	EUR	34.5	34.5	0
Syndicated loan	EUR	437.2	48.6	388.6
Total		489	100.4	388.6

The Company has credit line contracts with AB bank "Hansabank", Nordea Bank Finland Plc Lithuania and SEB Vilnius bank. It gives the possibility to borrow 107 million LTL if needed.

31. Production halt or reduction, which makes or has made essential influence on the results of the Issuer's activity during the last 2 financial (business) years

The electricity supply was disordered in various places because of extremely bad and not typical for Lithuania weather conditions (the hurricane "Ervin"), on January 8-12, 2005. Due to the damage made by the hurricane on many pieces of long term assets in Kaunas, Klaipėda and Siauliai regions the company addressed to independent property valutors for the evaluation of the remaining life time of the mentioned assets. As a result from February 2005 the depreciation of particular long term tangible assets was recalculated based on the new remaining useful life times. The result of those changes of the accounted evaluation is the increased depreciation costs in the Income statement, which makes approximately 23 million LTL per year.

32. Patents, licenses, contracts

In 2006 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	Numeris	Issued to	Valid till	Issuing institution
Licence of public electric power supplier	25/03/2002	No. VET-1	AB „Vakarų skirstomieji tinklai“	Not limited	National Prices and Energy Control Commission , Resolution No 28, dated 2002-03-20
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 10/03/2003
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission , Resolution No 03-120, dated 11/11/2004
Amendments of the Licence of public electric power supplier					National Prices and Energy Control Commission , Resolution No 03-29, dated 26/05/2005
Licence for electric power distribution	25/03/2002	No. ES-1	AB „Vakarų skirstomieji tinklai“	Not limited	National Prices and Energy Control Commission , Resolution No28, dated 2002-20/03/2002
Amendment in the Licence for electric power distribution					National Prices and Energy Control Commission , Resolution No 51, dated 2002-20/05/2002
Amendment in the Licence for electric power distribution					National Prices and Energy Control Commission , Resolution No 85, dated 2002-10/09/2002
Amendment in the Licence for electric power distribution					National Prices and Energy Control Commission , Resolution No 03-120, dated 11/11/2004
Amendment in the Licence for electric power distribution					National Prices and Energy Control Commission , Resolution No 03-29 dated 26/05/2005

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	06/052010	Ministry of Environment of the Republic of Lithuania
Permit to export electric power	09/07/2002	No. LE-0003 Annex 3	Vakarų skirstomieji tinklai, AB	Not limited	State energy inspection at the Minister of Economy of the Republic of Lithuania, Order No 51, dated 12/02/2002

33. Hearings in courts and arbitration

There were no court or arbitration hearings during the of annual Report, which might essentially influence the financial situation of the issuer.

In 2006 there were 299 civil claims presented to court on consumers regarding unpaid electric power and damages caused by illegal consumption of electric power coverage. The total sum of claims amounts up to 1.2 million LTL and from 2003 went down by 1.8 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.

34. Employees

In 2006 the average number of employees in VST, AB was 1968, if compared with previous financial year (1998) it went down by 1.5 percent.

Since 2004 the number of specialists in went up by 6.6 percent, while the number of workers from decreased by 29 percent. This decrease was determined by the optimization of the organizational structure of the company after its privatization, the improvement of the activity and work efficiency. The reason of the increase of the specialists' number is the customer orientated policy of the company.

Average salary of an employee in the company increased by 14 percent during 2006 up to 1779 LTL, compared with 10 percent in 2005.

The Company strengthened management of personnel implementing system of annual activities evaluation. 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 2006 21 internal interviews were arranged, nearly 14 percent of all employees have changed positions, among those 11 percent (190 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%).



Company closely cooperates with educational institutions and students are accepted in the company for their professional practice. In 2006, alike in 2005, there were 61 practicing students from different educational institutions: Kaunas Technological University, Siauliai University, Kaunas Technology University, Vytautas Magnus University, ISM Management and Economics University, Kaunas Technology College, Siauliai College.

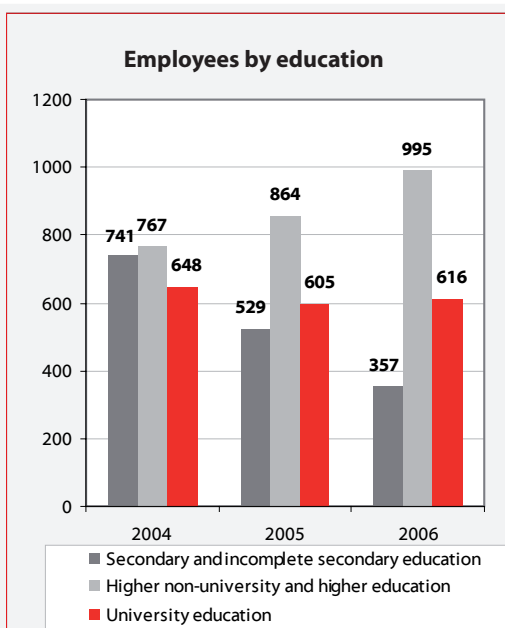
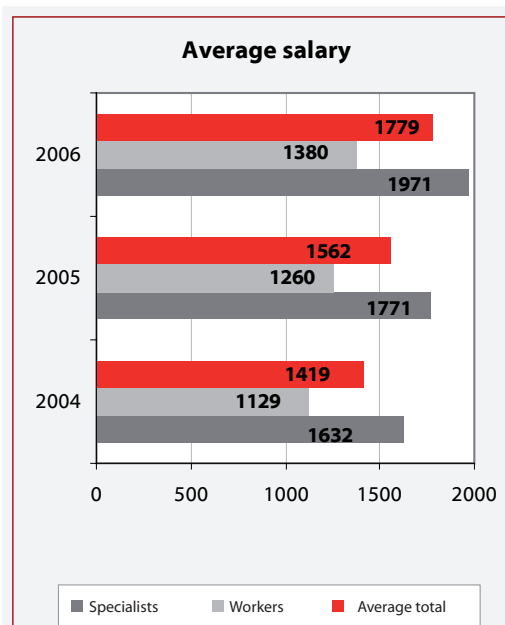
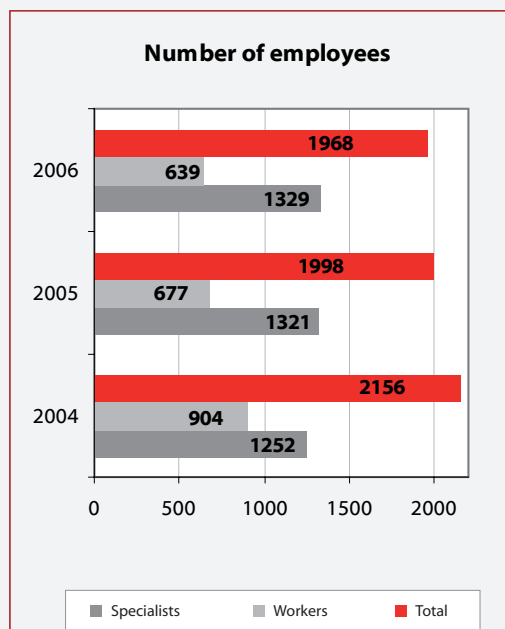
The portion of employees with higher than secondary education is growing and reached 82 percent in 2006, compared with 74 percent in 2005 and 66 percent in 2004. The number of employees with secondary and incomplete secondary education went down from 34 percent in 2004 to 18 percent in 2006.

The Collective Agreement holds in VST, AB; it was signed on August 20, 2004. 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 2006, alike in 2005, amounted to 17 000 LTL.

Consistent personnel policy was taking place in 2006. Special attention was paid to the staff training and qualification improvement during the Report year - company invested about 300 000 LTL into training. 850 employees (43 percent of all employees) participated in the training. 68 percent of organized training took place in the licensed educational institutions outside the company; about 32 percent of training was organized within the company.

The main three directions of staff training were continued - management, professional and qualification improvement training. In the course of management training all managers participated. They improved their personnel management skills - leadership, motivation of employees, evaluation, setting of goals, tasks delegation and other skills.



Professional training was taking much alike direction as in previous years. Managers of technical supervision of constructions, managers of high-scalars and steeplejacks, load attaching personnel, automobile lifters drivers, lifting crane work managers, wood cutters and welders underwent this type of training. Over 300 employees renewed and gained new knowledge of electrotechnics.

In addition to the mentioned training various qualification improvement courses were organized to satisfy specific needs for training. Project managers continued deepening knowledge in project management; employees participated in various conferences depending on their qualification.

The company pursues modern and consistent personnel policy, which justifies itself, given intensive emigration. The change of staff slightly went up: 2006 – 16 percent, 2005 – 15 percent, and 2004 – 34 percent.

35. Investment policy (companies into which the Issuer has invested over 30% of its share capital, also companies in the share capital of which the Issuer has over 30%):

35.1. Names, headquarter addresses, activity type, amount of the share capital, unpaid Issuer's share in the share capital, net profit (loss), rate between current liabilities and current assets, rate between all liabilities and all assets.

35.2. Type and class of the shares owned by the issuer, number of shares, par value, and percentage of votes, owned or controlled, in the general meetings of shareholders of those companies, specify separately the percentage of votes granted by owned shares and the percentage of votes owned with other persons acting in corpore.

35.3. Dividends paid to the Issuer, amount of loans given to the company and taken from it, description of the company debt securities obtained by the Issuer and their nominal value.

35.4. Large investment projects, exceeding 10% of the Issuer's share capital, implemented during the last 3 financial (business) years: investment type, investment volume, investment financing sources (internal, external); geographical distribution of investment (In Lithuania, abroad).

35.5. Information about anticipated investments.

36. Competitors.

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.

37. Paid dividends

For the year 2002 11 320 154 LTL were allocated for dividends (i.e. 0.0279 LTL per one ordinary registered share). For 2003 dividends were not paid. For 2004 dividends were paid and were equal to 31.76 LTL per one ordinary registered share. For the year 2005 dividends were 34.51 LTL per one ordinary registered share. The general meeting of shareholders of VST, AB, which took place on April 27, 2007, adopted a resolution according to which the shareholders of the company have to be paid 16.00 litas (9.99 EUR) dividends per one ordinary registered share.

According to the data unpaid dividends amounted up to 1 275.2 thousand LTL on December 31, 2006.

Financial year	Dividends per share, LTL	Dividend lump sum/ net profit
2002	0.0279	0.40
2003	Dividends were not announced	0.00
2004	31.76	19.95
2005	34.51	2.65
2006	16.00	1.00

VST, AB and the bank AB "Hansabankas" have concluded a contract on securities, issued by the Company, accounting and handling and control of personal securities accounts. The unpaid dividends are paid to the shareholders upon request from the shareholders to the bank AB "Hansabankas" regarding payment of due unpaid dividends.

During the last five years the amount of dividends has not been reduced in cases set forth by legal regulations or the By-laws of the issuer. There have not been any shareholders refusing dividends.



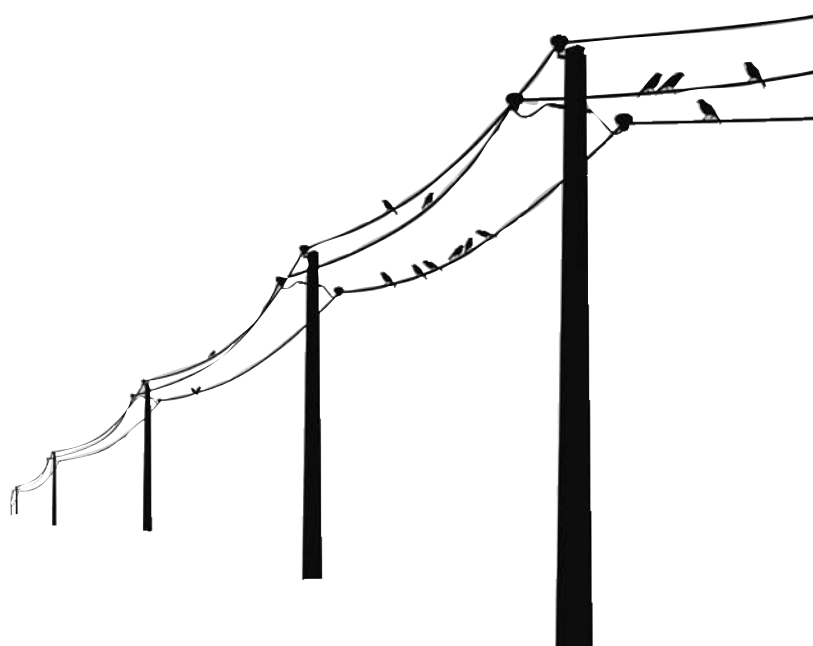
VST is among the TOP 10 best Lithuanian employers.

V. Financial situation

38. Financial Reports

38.1. Income statement for the last 3 years (Prepared according to the International Reporting Standards)

Income statement (in LTL '000 unless otherwise stated)			
	December 31		
	2006	2005	2004
Sales	924 779	842 781	718 360
Other operating income	3 851	3 964	7 070
	928 630	846 745	725 430
Purchases of electricity	(491 125)	(451 164)	(428 639)
Depreciation and amortization	(217 999)	(212 095)	(157 600)
Wages, salaries and social security	(50 659)	(57 330)	(54 646)
Repair and maintenance expenses	(21 619)	(14 144)	(7 921)
Spare parts and other inventories	(14 968)	(13 740)	(12 195)
Utilities and communications expenses	(5 445)	(6 147)	(6 265)
Other operating expenses	(32 259)	(32 206)	(45 900)
	(834 074)	(786 826)	(713 166)
Operating profit (loss)	94 556	59 919	12 264
Financial income (expenses), net	(10 955)	(12 199)	(1 840)
Profit (loss) before tax	83 601	47 720	10 424
Current year income tax expenses	(54 383)	(37 958)	(24 208)
Deferred income tax benefit	30 459	38 710	19 702
Net profit (loss)	59 677	48 472	5 918
Basic and diluted earnings (loss) per share, in LTL	16.05	13.04	1.59



38.2. The Balance sheet of the last three years (prepared in accordance with the International Reporting Standards).

Balance sheet (in LTL '000 unless otherwise stated)			
	December 31		
	2006	2005	2004
ASSETS			
Non-current assets			
Property, plant and equipment	2 079 091	2 164 243	2 255 645
Intangible assets	656	666	1 395
	2 079 747	2 164 909	2 257 040
Current assets			
Inventories	6 525	13 701	7 158
Trade and other receivables	83 039	67 474	54 380
Prepayments, deferred charges and accrued income	12 672	9 252	7 803
Cash and cash equivalents	102 935	199 300	146 971
	205 171	289 727	216 312
Total assets	2 284 918	2 454 636	2 473 352
EQUITY			
Share capital			
Revaluation reserve (result)	111 540	111 540	3 718
Legal reserve	830 011	1 193 837	1 422 189
Retained earnings (deficit)	11 154	11 154	29 866
Total equity	453 999	161 317	99 467
	1 406 704	1 477 848	1 555 240
LIABILITIES			
Borrowings	347 091	388 801	423 537
Deferred income	136 385	98 787	55 997
Deferred income tax liability, net	206 293	234 239	265 169
	689 769	721 827	744 703
Current liabilities			
Borrowings	49 489	100 414	73 551
Trade and other payables	94 699	112 673	70 613
Advances, accrued charges and deferred income	28 321	18 998	9 586
Income tax payable	15 936	22 876	19 659
	188 445	254 961	173 409
Total liabilities	878 214	976 788	918 112
	2 284 918	2 454 636	2 473 352

38.3. Cash flow statement of the last three financial years (prepared according to the International Reporting Standards)

Cash flow statement (in LTL '000 unless otherwise stated)	December 31		
	2006	2005	2004
Cash flow from operating activities			
Net profit (loss)	59 677	48 472	5 918
<i>Adjustments for non-cash items:</i>			
- Income tax	23 924	(752)	4 506
- Depreciation and amortization	218 365	212 461	157 960
- Depreciation of property, plant and equipment received at no consideration	(366)	(366)	(360)
- Recognition of income from the connection of new customers	(3 558)	(2 412)	(1 789)
- Accounting of property, plant and equipment identified during the inventory count	-	-	(3 884)
- Accrued income from electricity sales	(621)	-	(521)
- Proceeds from sales of property, plant and equipment	373	(154)	(190)
- Write-offs and impairment of property, plant and equipment and intangible assets	3 920	8 683	7 325
- Impairment of receivables and prepayments	558	1 041	6 388
- Write-down of inventories	(804)	(9)	3 743
- Accrued wages, salaries and social security expenses	3 065	14 273	1 212
- Net (profit) loss from transactions in foreign currencies	4	14	(80)
- Interest income	(5 196)	(4 262)	(703)
- Interest expenses	16 781	16 760	2 853
- Other income	-	(39)	-
	316 122	293 710	182 378
<i>Changes in working capital:</i>			
- Inventories	7 980	(6 012)	9 869
- Receivables, prepayments, deferred changes and accrued income	(8 832)	(15 400)	2 569
- Deferred income	31 499	34 403	14 763
- Payables, advances received, accrued and deferred income	(3 514)	45 336	(26 637)
Cash flow from operations	343 255	352 037	182 942
Interest received	5 060	4 034	703
Interest paid	(16 533)	(16 538)	(2 795)
Income tax paid	(61 295)	(34 702)	(15 211)
Net cash flows from operating activities	270 487	304 831	165 639
Cash flows from investing activities			
Purchase of property, plant and equipment	(141 113)	(121 616)	(26 717)
Purchase of intangible assets	(885)	(186)	(218)
Proceeds from sale of property, plant and equipment	4 502	653	846
Loan repayments received	39	44	93
Net cash flows from investing activities	(137 457)	(121 105)	(25 996)
Cash flow from financing activities			
Loans received		-	-
Loans repaid	(101 237)	(103 812)	-
Payments of financial lease	(41)	(40)	(45)
Dividends and payments related to share capital decrease paid	(128 113)	(27 531)	(2)
Net cash flows financing activities	(229 391)	(131 383)	(47)
Effects of exchange rate changes on cash balance	(4)	(14)	80
Net increase (decrease) in cash and cash equivalents	(96 365)	52 329	139 676
Cash and cash equivalents at beginning of year	199 300	146 971	7 295
Cash and cash equivalents at end of year	102 935	199 300	146 971

38.4. Statement of equity changes for the last three years (prepared in accordance with the International Reporting Standards)

Statement of changes in equity (in LTL '000 unless otherwise stated)	Paid share capital	Revaluation reserve for property, plant and equipment	Legal reserve	Other reserves	Retained earnings (deficit)	Total
Balance as at at 31 December, 2003	405 262	1 504 105	29 866	19 386	(7 753)	1 950 866
Decrease of the share capital	(401 544)	-	-	-	-	(401 544)
Transfer from other reserves to retained earnings	-	-	-	(19 386)	19 386	-
Transfer from revaluation reserve to retained earnings	-	(81 916)	-	-	81 916	-
Net profit for the reporting period	-	-	-	-	5 918	5 918
Balance as at 31 December, 2004	3 718	1 422 189	29 866	-	99 467	1 555 240
	-	(254 493)	-	-	254 493	-
Balance as at 31 December, 2004	3 718	1 167 696	29 866	-	353 960	1 555 240
Decrease of the share capital	107 822	(107 822)	-	-	-	-
Transfer from other reserves reserves to retained earnings	-	-	(18 712)	-	18 712	-
Transfer from revaluation reserve to retained earnings	-	(112 750)	-	-	112 750	-
Impact of deferred income tax to the revaluation reserve due to charge in income tax rates	-	(7 780)	-	-	-	(7 780)
Dividends for the year 2004	-	-	-	-	(118 084)	(118 084)
Net profit for the reporting period	-	-	-	-	48 472	48 472
Balance as at 31 December, 2005	111 540	1 193 837	11 154	-	161 317	1 477 848
Transfer from revaluation reserve to retained earnings	-	(92 900)	-	-	92 900	-
Impact of deferred income tax to the revaluation reserve due to charge in income tax rates	-	(2 513)	-	-	-	(2 513)
Dividends for the year 2005	-	-	-	-	(128 308)	(128 308)
Net profit for the reporting period	-	-	-	-	59 677	59 677
Balance as at 31 December, 2006	111 540	830 011	11 154	-	453 999	1 406 704

39. Comments of the financial Reports

39.1 Explanatory letter

Full financial Report alongside with the comments on financial accounts, with Explanatory letter and the forms of financial accountancy (Certificates of the explanatory letter) have been prepared according to the International Reporting standards and is submitted together with the Annual Report.

39.2 Principles of consolidation and the names and addresses of the companies with which the consolidated accounts are concluded;

39.3 Main changes and their causes from the last financial (business) year, other important information.

Revenues

3 680 million kWh of electric power were sold to the consumers during 2006, 6.8 percent more comparing with 3 446 million kWh in 2005.

During the report year the income from sales and services except financial activities was 928.6 million LTL (in 2005 –846.7 million LTL). The major part of income was from sales of electric energy:

Income, million LTL	2006	2005	Change, %
Income from the sales of electric power	906.1	826	10
Sales of reactive energy	15.1	14.3	6
Income from connection of new consumers	3.56	2.4	48
Other income from operation	3.85	3.96	-3
Total:	928.6	846.7	10

In 2006 income from financial activities was 5.9 million LTL (in 2005 –4.8 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 2006 the Company's expenditure was 834.1 million LTL while in 2005 it was 786.8 million LTL.

The biggest part of all expenditures consisted of electricity purchase and transmission expense (58.9 percent), the remaining part consisted of the relatively fixed expense for repairs, personnel etc. Repair and maintenance expense increased due to re-construction and modernization works.

Operating expenses, million LTL	2006	2005	Change, %
Purchase of electric power	491.1	451.2	9
Depreciation and amortization	218	212.1	3
Wages, salaries and social security	50.6	57.2	-12
Repair and maintenance expenses	36.6	27.8	32
Taxes except for the profit tax	4.2	3.1	35
Utilities and communications expenses	5.5	6.2	-11
Other	28.1	29.2	-4
Total:	834.1	786.8	6

In 2006 expenses of financial activities were 16.86 million LTL (in 2005 – 16.96 million LTL), the biggest part of it was interest expenses –16.78 million LTL (in 2005 – 16.76 million LTL).

Non-current assets

The carrying value of the non-current assets decreased from 2 164.9 million LTL in 2005 to 2 079.7 million LTL in 2006. The decrease was caused by the depreciation and amortization of the non-current assets, which were equal to 218 million LTL in 2006.

Investments

In 2006 139.7 million LTL were invested into development and maintenance of electric power distribution network, 7.5 percent more as compared with 130 million LTL in 2005.

Current assets

The carrying value of current assets has decreased from 289.7 million LTL to 205.2 million LTL during the year 2006.

The current assets of the company in the end of the year , million LTL	2006	2005	Change, %
Inventory	6.52	13.7	-52
Trade and other receivables	83.04	67.47	23
Prepayments, deferred charges and accrued incomes	12.67	9.25	37
Cash and cash equivalents	102.94	199.3	-48
Total:	205.2	289.7	-29

Financial liabilities

Long term borrowings in the end of 2006 were equal to 347.1 million LTL, short term borrowings – 49.5 million LTL (in 2005 – 388.8 million LTL and 100.4 million LTL, respectively).

In 2006 financial liabilities were augmented by the sums (short-term – 864 thousand LTL, long-term – 6.9 million LTL, total – 7.8 million LTL) paid to AB "Lietuvos energija" for acquired assets. These liabilities will be carried out during the period of ten years.

Activity results

In 2006 the profit before taxes amounted to 83.6 million LTL. In the report year the expenses of income tax were 54.4 million LTL, and the benefits of deferred income tax – 30.5 million LTL. The net profit of the company amounted to 59.7 million LTL in 2006.

The Board of the company at the general meeting of the shareholders, which took place on 27 April, 2007, suggested to pay 16.00 LTL (4.63 EUR) dividends per one ordinary registered share of the company. The suggestion was approved and a resolution to pay all the shareholders of the company 16.00 LTL (4.63 EUR) dividends per one ordinary registered share of the company was adopted.

Cash Flow

Net cash flow from operating activities during 2006 went down from 304.8 million LTL to 270.5 million LTL. Also, net cash flow after investing activities shrank from 183.7 million LTL in 2005 to 133 million LTL in 2006. Main factors influencing such a reduction were paid profit tax (61.3 million LTL) and investment allocation (139.7 million LTL).

Internal audit

After the privatization of the company optimization of the company's organizational structure, changes of order and implementation of new procedures took place. There is no internal audit division in the company.

40. Annual report

Annual Report for the year 2006, verified by auditors, is attached to this Report.

41. Information about audit

The auditing of financial Reports of VST, AB for 2005 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, 2006). UAB "Ernst & Young Baltic" completed the auditing work and submitted the Audit conclusion on February 28, 2007. The auditor's conclusion is presented together with the annual Report.



As many as 95 percent of our staff are specialists who either have professional qualifications or have higher education.

VI. Information on the managing bodies of the issuer

42. Members of the managing bodies

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

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.

42.1 Positions, full names, data on participation in the share capital.

Board in the period 28/10/2005- 29/03/2008

Full name	Position	Share of owned capital, %.	Share of votes, %
Darius Nedzinskas	Chairman	-	-
Antanas Poška	Member	-	-
Arūnas Bivainis	Member	-	-
Aidas Ignatavičius	Member	-	-
Rytis Borkys	Member	0%	0%

Administration from 15/12/2005 to the day of the Report preparation

Full name	Position	Share of owned capital, %.	Share of votes, %
Darius Nedzinskas	Chief Executive Officer	-	-
Lina Minderienė	Chief Accountant, Accounting Department Manager	-	-

■ VST, AB the Board (28/10/2005 - 29/03/2008)



Darius NEDZINSKAS

Position:

Chairman of the Board, Chief Executive Officer

Works within the company:

From the 2nd of February, 2004

Background:

Vilnius University, Faculty of Economics, Bachelor's and Master's degree in Banking and Finance.

Career:

Previous position – Head of the Board of AB Bank "Hansabankas".



Arūnas BIVAINIS

Position:

Member of the Board, Director Legal and Administration Division

Works within the company:

From the 2nd of February, 2004

Background:

University of Freiburg (Germany), Faculty of Law. Vilnius University, Faculty of Law. Holds Master's degrees (LLM).

Career:

Previous position– Director Legal Department/ AB Bank "Hansabankas".
Vilnius University, Faculty of Law – assistant.



Antanas POŠKA

Position :

Member of the Board, Chief Financial Officer

Works within the company:

From the 2nd of February, 2004

Background:

University education. Antanas finished accounting and economical analysis studies in Vilnius University.

Career:

Previous position–Chief Financial Officer/AB Bank "Hansabankas".



Aidas IGNATAVIČIUS

Position:

Member of the Board, Director Power Supply and Branch Management Division

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".



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.

42.2 Additional information on the Chairman of the board, head of the administration and Accounting Department Manager, Chief Accountant: education, profession, employers and positions occupied during the last 10 financial (business) years:

Chairman of the Board (Chief Executive Officer) – **Darius Nedzinskas**:

Education (profession)	Former employers in last 10 years	Positions	Data about criminal records for business crimes
University education, Vilnius University, faculty of economy. Banking and finance specialisation, bachelor, master.	1994 – 1995 AB State commercial bank of Lithuania,	Economist;	None
	1995 – 1998 AB Agricultural Bank of Lithuania,	Head of the money market department, Manager of Vilnius branch;	
	1998 – AB Vilnius bank,	Commercial director of Vilnius branch;	
	1998 – 2004 AB bank Hansabankas,	Deputy chairman of the Board;	
	2004 AB bank Hansabankas.	Chairman of the Board	

Chief Accountant, Accounting Department Manager – **Lina Minderienė**:

Education (profession)	Former employers in 10 years	Positions	Data about criminal records for business crimes
High (economist)	1993-1995 State Tax Inspectorate under the Ministry of Finance	Tax inspector	None
	1995-1996 Audit company „J. Kabašinskas ir partneriai“	Consultant	
	1996-2002 Ministry of Finance of Republic of Lithuania	Department of Tax policy, Head of the department	
	2002 UAB Enst & Young Baltic	Tax department, manager	
	2003-2005 AB bank Hansabankas	Department of financial accountancy and accounts	

42.3. Data about participation in the activities of other companies, institutions and organisations

Full name	Name of the company, institution or organisation, position	Share of capital and votes in other companies, %
Lina Minderienė	-	-
Darius Nedzinskas	NDX energija	5
Antanas Poška	-	-
Arūnas Bivainis	-	-
Aidas Ignatavičius	-	-
Rytis Borkys	-	-

42.4 Data on the still valid criminal records of the members of the managing bodies for crimes on property, order of business, finance.

42.5 Data on the beginning of Office of each managing body and its terms.

The Bylaws of the company sets forth that the Board shall be elected for four years. The Office term of the present Board expires on March 29, 2008.

Chief Executive Officer shall be elected and recalled by a resolution of the Board.

43. Information about payment and loans to the members of managing bodies (Council of Observers, Board and members of Administration)

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

2006	Salary, LTL	Bonuses, LTL	Other payments from profit, LTL
In average per one member of the Board*	354 854	-	200
Totally for all Board members*	1 774 269	-	1 000
In average per one member of Administration	230 066	-	500
Totally for all members of Administration	460 132	-	1 000

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

43.2. The sums paid to the Issuer's members of Council of Observers, Board, members of Administration as salaries, bonuses and other payments from profit during the Report period (for each category of the mentioned persons), received from companies where the share of share capital of the Issuer is over 20 per cent.

43.3. Loans, granted guaranties and warranties for the members of managing bodies, which ensures their liabilities.

44. Transactions with the interested persons



We give our support to progress: innovative education, culture,
and science projects.

VII. The newest and essential events in the activity of the issuer, its perspectives

45. The newest events in the activity of the Issuer

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.

27.04.2007 The decisions adopted in the General meeting of the shareholders of VST, AB

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

1. The item of the agenda "The consideration of the 2006 Annual report of VST, AB:
 - 1.1. Accept the 2006 annual report of VST, AB.
2. The item of the agenda "Approval of the 2006 financial statements of VST, AB:
 - 2.1. Approve the 2006 financial statements of VST, AB audited by the audit company UAB „Ernst & Young Baltic“.
3. The item of the agenda "Distribution of 2006 profit (loss) of VST, AB:
 - 3.1. Approve the distribution of 2006 profit (loss) of VST, AB.
 - 3.2. Pay dividends to the shareholders of VST, AB 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 VST, AB. 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 "Hansa-bankas".

16.04.2007 The drafts resolutions of the general meeting of the shareholders of VST, AB

According to the decision of the Board of VST, AB 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 VST, AB:
 - 1.1. Accept the 2006 annual report of VST, AB.
2. The item of the agenda "Approval of the 2006 financial statements of VST, AB:
 - 2.1. Approve the 2006 financial statements of VST, AB audited by the audit company UAB „Ernst & Young Baltic“ (attached).
3. The item of the agenda "Distribution of 2006 profit (loss) of VST, AB:
 - 3.1. Approve the distribution of 2006 profit (loss) of VST, AB (attached).
 - 3.2. Pay dividends to the shareholders of VST, AB 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 VST, AB. 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 "Hansa-bankas".

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 Notice to convene annual general meeting

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

1. The consideration of the 2006 Annual report of VST, AB.
2. Approval of the 2006 financial statements of VST, AB.
3. Distribution of 2006 profit (loss) of VST, AB.

The Board of VST, AB suggests the General shareholders meeting to adopt the decision to pay dividends in the amount of 16,00 LTL (4.63 EUR) per one ordinary registered share of the company. The Board of VST, AB suggests the General shareholders meeting to designate, that the right to receive dividends 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 VST, AB. 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".

28.02.2007 Activity result for 2006 of VST, AB

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

46. Essential events

22.12.2006 Announcement on the decisions adopted on the extraordinary meeting of shareholders, held on December 22nd, 2006

The extraordinary meeting of shareholders, held on December 22nd, 2006, adopted the following decisions:

1. To amend the bylaws of the company by laying out the new wording of the bylaws (bylaws attached).
2. In pursuance to reflect more precisely the effect of hyperinflational economics of Lithuania in 1991-1996 towards the structure of the company's equity capital, taking into account the recount of the Company's non-current assets value according to the consumer price index of 1991-1996, reviewed by the audit company UAB "Ernst & Young Baltic" (according to the report of December 18th, 2006 „Concerning the consumer price index of Lithuanian Republic stated on 1991-1996 and the discrepancies of indexation coefficient of the value of non-current assets set and applied according to the resolutions of the Government of Lithuanian Republic on 1991-1995 and it's influence on the value of the assets"), without changing the authorized capital of the company make an adjustment to the company's remainder of the revaluation reserve on December 31st, 2005, in the amount of 268,40 million litas, by transferring latter amount to inappropriate result.

08.12.2006 The draft resolutions of the general meeting of the shareholders of VST, AB

According to the decision of the Board a general shareholders meeting is called on December 22nd, 2006 and shall take place at the offices of the Company 5th floor, J.Jasinskio 16c, Vilnius, at 14:00 hours. The shareholders will be asked to approve the following project items:

1. The first project item on "The emendation of the bylaws of the company" is as follows:

"1.1. To amend the bylaws of the company by laying out the new wording of the bylaws (bylaws attached)."

2. The second project item on "Concerning company's equity capital structure" is as follows:

"2.1. In pursuance to reflect more precisely the effect of hyperinflational economics of Lithuania in 1991-1996 towards the structure of the company's equity capital, correct, without changing the authorized capital of the company, company's revaluation reserve, taking into account the revision of the value of non-current assets of the company according the consumer price index of 1991-1996."

08.12.2006 The supplementation of the agenda of the general shareholder's meeting

According to the proposal of UAB "NDX energija", having 97,1 per cent of the ordinary registered shares of VST, AB, the Board of VST, AB on 8th of December, 2006 decided to supplement the agenda of the general shareholder's meeting, which shall take place on 22nd of December, 2006 at J. Jasinskio 16c, Vilnius (fifth floor) with the second item. The supplemented agenda of the general shareholder's meeting, which shall take place on 22nd of December, 2006 at J. Jasinskio 16c, Vilnius (fifth floor) is as follows:

1. The emendation of the bylaws of the company;
2. Concerning company's equity capital structure.

The accounting day of the shareholders – 2006-12-15. The registration of the shareholders starts at 2006-12-22 13.30 hours, ends at 2006-12-22 13.55 hours.

20.11.2006 Convocation of General Shareholders Meeting on 22nd December, 2006

According to the decision of the Board a general shareholders meeting is called on December 22nd, 2006 and shall take place at the offices of the Company 5th floor, J.Jasinskio 16c, Vilnius. According to the decision of the Board the following agenda of the general shareholders meeting is approved:

1. The emendation of the bylaws of the Company.

The accounting days of the shareholders – 2006-12-15. The registration of the shareholders starts at 2006-12-22 13.30 hours, ends at 2006-12-22 13.55 hours.

31.10.2006 Non-audited nine-month activity result of VST, AB

Non-audited activity result before tax of VST, AB for nine months of the year 2006 totals LTL 54.4 million (EUR 15.8 million).

29.09.2006 Resolutions of the General Meeting of the Shareholders of VST, AB held on September 29th, 2006

Ordinary General Meeting of the Shareholders of Public limited liability company VST held on September 29th, 2006 decided on the following:

“1.1. To elect UAB „Ernst & Young Baltic“ to audit the financial accounting of 2006 and to pay not more than LTL 110,000 (VAT excluded) for the audit.”

19.09.2006 The drafts resolutions of the general meeting of the shareholders of VST, AB

According to the decision of the Board a general shareholders meeting is called on September 29th, 2006 and shall take place at the offices of the Company 5th floor, J.Jasinskio 16c, Vilnius. The shareholders will be asked to approve the following item:

„1.1. To elect UAB „Ernst & Young Baltic“ to audit the financial accounting of 2006 and to pay not more than LTL 110,000 (VAT excluded) for the audit.”

29.08.2006 Prepared VST, AB semi-annual report for 2006

VST, AB has prepared semi-annual report for 2006 in accordance with Republic of Lithuania Securities Commission approved rules regarding periodical disclosure of issuer and its securities information.

28.08.2006 Convocation of extraordinary shareholders meeting of VST, AB on 29th of September 2006

The Board of VST, AB decided to convene an extraordinary general meeting of VST, AB shareholders on 29th of September 2006 01:00 p.m. at 16 Jasinskio str. Vilnius, Lithuania (2nd floor, Conference Center). The Board has approved the following agenda:

1. Election of audit company for auditing company's financial statements for 2006 and setting the terms and conditions of payment for audit services.

The accounting day of the meeting – 22nd of September 2006. Start of registration to the meeting - 12:00 p.m. on 29th of September 2006.

28.07.2006 1 half activity result of VST, AB

Preliminary pre-audit 2006 1 half activity result of VST, AB is LTL 39,8 mil. (EUR 11,5 mil.) net profit before taxes.

28.04.2006 1Q activity result of VST, AB

Preliminary pre-audit 2006 1Q activity result of VST AB is LTL 22.1 mil. (EUR 6.4 mil.) net profit before taxes.

14.04.2006 Decisions adopted in the shareholders' meeting held on 04 April 2006

The following decisions were made during the shareholders' meeting of VST, AB, held on April 14th, 2006:

1. Approve the annual report for 2005;

2. Take into account the Auditors report on the financial results of the company for 2005;
3. Approve the financial results for 2005;
4. Distribute the company's 2005 profit (loss);

The shareholders meeting of VST, AB which took place on April 14th, 2006, decided to pay the company's shareholders dividends - 34.51 Litas (9.99 euro) per one ordinary registered share. Entities that were shareholders of the company up to the end of the day on which the shareholders meeting announced the dividend issue, i.e. the end of the day of April 14th, 2006, have the right to receive dividends. The dividends will be paid through the company's shareholders' issuer accountants and the company's (issuer's) issuer accountant - AB Bankas Hansabankas. According to the 60'th article 4'th part of the law on corporations the dividends will be paid in one month from the day the decision to pay dividends was made.

03.04.2006 VST, AB General shareholders meeting agenda draft

According to the decision of the company's Board dated 2006 03 10, a general shareholders meeting will be called on April 14th, 2006, to take place at the offices of VST, AB, 5th floor, J. Jasinskio 16C, Vilnius.

The shareholders will be asked to approve the following items:

1. Approve the company's operations report for 2005.
2. Take into account the conclusions of the auditors UAB "Ernst & Young Baltic" when confirming the financial results of the company in 2005.
3. Approve the company's financial results for 2005.
4. Approve the company's distribution of profit (loss).

Retained earnings at the beginning of the financial year - 97 347 Lt (EUR 28 193.64)

Net annual operating result (profit/loss) - 48 471 567 Lt (EUR 14 038 336.13)

Transfers from reserves:

Transfer from Revaluation reserve - 112 749 528Lt (EUR 32 654 520.39)

Transfer from compulsory reserve - 0 Lt

Shareholders' contributions to cover losses (if shareholders decided to cover all or a portion of losses - 0 Lt

Total distributable profit (loss) - 161 318 442 Lt (EUR 46 721 050.16)

Profit allocation to the compulsory reserve - 0 Lt

Profit allocation to other reserves - 0 Lt

Profit allocation to pay out dividends - 0 Lt

Profit allocation to yearly pay outs to board and council members, employee bonuses and other purposes -0 Lt

Retained earnings carried forward to next financial year - 161 318 442 Lt (EUR 46 721 050.16)

10.03.2006 Convocation of General Shareholders Meeting on 14 April 2006

On 10th of March 2005 the board of VST, AB made a decision to call the General Shareholders Meeting. The agenda:

- 1) Approval of the Company's activity report of the year 2005
- 2) The company's auditor statement
- 3) Approval of Financial Statements for 2005
- 4) Distribution of profit (loss) for 2005

The date and time of Shareholders meeting - 14 April 2006. 2.00 PM

The shareholders meeting place: Vilnius, J.Jasinskio st. 16C (5th floor)

The accounting day of the shareholders meeting – 07 April 2006

Registration starts – 14 April 2006, 1.25 PM

Registration ends – 14 April 2006, 1.55 PM

The board of the VST AB does not suggest to make a decision to pay dividends.

24.02.2006 2005 activity result of VST, AB

2005 activity result of VST, AB under International Accounting Standards is LTL 47.7 millions (EUR 13.81 millions) audited profit before taxes.

47. The strategy of activity and its envisioned changes during the nearest financial (business) year.

MISSION: We work for the Western Lithuania to always have electric power.

VISSION 2010: We have the goal to become the best supplier of regulated services in Lithuania.

Strategy direction of the company will stay the same in 2006 as in the previous year. A special attention will be continuously paid to the customers by keeping improvements of the quality of the services provided; efforts will be made to promote the company name and the services in the society; the company will keep fighting against the thieves of electric lines and transformer substation oil.

**"VST" AB
ANNUAL REPORT
2006**

Independent Auditors' Report to the Shareholder of Joint Stock Company VST

We have reviewed Joint Stock Company VST (further "the Company") Annual Report for the year ended 31 December 2006. The report is the responsibility of the Company's management. Our responsibility is to present report on the Annual Report based on our review.


We have audited the financial statements of Joint Stock Company VST for the year ended 31 December 2006 in accordance with International Standards of Auditing. On 28 February 2007 we have expressed unqualified opinion on these financial statements.


Our review of the Annual Report for the year ended 31 December 2006 was limited primarily to analytical procedures and discussions with the Company's personnel and was limited to financial information only. The scope of review provides less assurance than the audit for the purpose of expressing an audit opinion on this report. Accordingly, we do not express an audit opinion.

The Annual Report for the year ended 31 December 2006 includes operating plans and forecasts approved by the shareholder. The actual results in the future might be different from the current management's estimations as events and circumstances frequently do not occur as expected.

Based on our review, we have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2006.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 000514


Jonas Akelis
Auditor's licence
No. 000003


Asta Štrejmikienė
Auditor's licence
No.000382

The audit was completed on 28 February 2007.

ACTIVITY REVIEW

The key activity of "VST" AB (hereinafter referred to as VST or Company) is the distribution of electric power by medium and low voltage lines network and the supply of electric power to its consumers.

Baltic Market Award

In December 2006, the Company was among the best ones awarded for the Best Investor Relations in the Baltic Countries. The mission of the Baltic Market Awards project organized in Vilnius, Tallinn, and Riga was to identify the best Baltic market participants and to encourage listed companies to provide the market with quality disclosure. All listed companies in the Baltic countries and members of all three stock exchanges were evaluated. VST was awarded for its open, professional, and timely disclosure and for the usefulness of the information provided to its investors.

Support Projects

The NATIONAL DEVELOPMENT AWARD was established to foster the development of science, culture and business in Lithuania. The Company has joined the project becoming one of its participants and sponsors. At the end of May, Science Development, Partnership Development and Cultural Development Awards were given for the first time in Lithuania.

In August, the Company joined the project "I Want to See the World" becoming one of its sponsors. VST gives great importance to the support of socially vulnerable members of the society and continuously sponsors medical and child care institutions.

Each year, the Company supports St. John the Baptist Parish situated in Pakruojis often called the "Little Vatican". In 2006, VST supported disadvantaged children of the parish by funding their participation in various camps.

For the second consecutive year, the Company has been supporting Kaunas University of Technology. In order to ensure the quality of electrical engineering studies the Company donated state-of-the-art electro technical devices to the aforesaid university. Moreover, VST Scholarships are awarded to the best students of the Faculty of Electrical and Control Engineering. In the last two years, LTL 60,000 was allocated to the best 60 students.

The Company supports Skuodas Art School. Currently, a special publication featuring the history of the school is being prepared to commemorate its 40th anniversary in September.

For several years, the Company has been supporting the Department of Pediatric Diseases of Kaunas University of Medicine. Furthermore, VST donated LTL 30,000 worth of equipment for monitoring of vital functions to the Intensive Care Unit of the Department. Last year, VST support helped the Department of Pediatric Diseases to acquire equipment for haemodialysis, blood pressure and pulse measurement as well as electronic scales, vacuum cleaning devices, etc. Ten TV sets were also donated to the department making it feel like home for the young patients.

Environmental Protection

Annually the Company takes part in stork nest preservation efforts. Early last spring, nearly 200 stork nests were saved. Since the autumn of 2005, VST has raised approximately 400 stork nests on top of power transmission pylons. Moreover, The Company achieved an award for environmental protection on the occasion of the World Environment Day. The stork nest preservation efforts, which have been organized by energy specialists for several years already, are also favored by the Ministry of Environment of the Republic of Lithuania, which awarded the Company with a special prize for environmental protection.

Customer Service Quality

Customer service quality is one of underlying goals of the Company, thus, in 2006 the efforts were made in order to achieve it. It also contributed to the improved familiarity of current and potential customers with the Company's name.

In February, new modern customer service centres were opened in Šiauliai and Klaipėda. VST gives special importance to professional quality customer service and is constantly introducing customer service standards and improving its customer service culture across the units.

By launching an internet portal in March, VST introduced a user friendly, speedy and efficient way for its legal entity customers to pay for the power consumed. The portal enables legal entity customers of VST to provide meter data electronically and monitor the history of payments, debts and bills settled.

Investment

In October, the Company started one of the key projects of the year: the construction of the transformer substation in the centre of Kaunas. This 110/10 kV transformer substation will be the most modern of its kind in Lithuania. The Company has invested LTL 11 million into the construction of the substation.

Previously, VST customers would normally inform the experts of the Company about power outages. Following the installation of the SCADA (Supervisory Control and Data Acquisition) systems, the experts of the Company will be the first to know about any minor power fluctuations. The systems to be installed in Kaunas, Plungė, Radviliškis, and Šilalė will cost the Company more than LTL 13 million.

The Company continues modernization of transformer substations. Reconstruction of transformer substations in Plungė and Šeduva was completed already. The Company had allocated LTL 14.7 million for the modernization. In October, the reconstruction of Noreikiškės transformer substation was finished, too. The thorough reconstruction and modernization of the substation, which is situated in Kaunas area, required the investment of LTL 4.3 million. Also, investment projects worth millions of litas are being implemented in Tytuvėnai and Akmenė in order to ensure quality power supply to the customers of the Company. The modernization project of Salantai transformer substation situated in Klaipėda area is almost complete. The Company invested LTL 4.15 million into the renovation. Nearly 2,000 of VST customers are supplied with power from the aforesaid substation, including residents of Salantai and nine neighboring towns. Amaliai transformer substation is also under reconstruction. It distributes power to Dainava Clinic in Kaunas, several educational institutions, Girstupis Police Station and many other entities. LTL 8.7 million was invested into the reconstruction project.

Taikos transformer substation in the centre of Klaipėda is also being updated. The substation supplies power to 17,000 residents of Klaipėda and several major companies. Its reconstruction is close to being complete. VST has invested nearly LTL 10 million into the project.

Cooperation

VST continues to cooperate with policemen in Western Lithuania in order to take joint actions to prevent thefts of power cables and non-ferrous metals.

The Company provides development opportunities for students. Each year, around 50 students from various educational institutions are offered traineeships at VST. There were 45 student trainees at the Company during the first quarter of the year. Yet another several dozen of students were given development opportunities at VST in the summer of 2006. The year 2005 saw around 70 student trainees developing their skills at the Company. Almost half of them were students of Kaunas University of Technology. Most of the students get hands-on experience in the units that are directly related to Company activities, power distribution and supply.

Adjustment of Equity Capital Structure

On 22 December 2006, decisions were made concerning the equity capital structure and amendment of the statutes of the Company at the Extraordinary General Meeting of Shareholders. In order to reflect the effect of the hyperinflationary Lithuanian economy in 1991–1996 on the equity capital structure of the Company and taking into account the recount of the Company's fixed asset value according to the consumer price indices of 1991–1996, reviewed by the audit company *Ernst & Young Baltic UAB* (according to the report of 18 December 2006 "Concerning Annual Consumer Price Indices in the Republic of Lithuania Recorded in 1991–1996 and Fixed Asset Value Indexing Inconsistencies Set and Applied in Accordance with Resolutions of the Government of the Republic of Lithuania of 1991–1995 and the Influence of those Inconsistencies on the Asset Value") the decision was adopted to make an adjustment to the Company's remainder of the revaluation reserve on 31 December 2005, in the sum of LTL 268.40 million, by transferring the sum to the retained earnings, without changing the equity capital amount of the Company.

ACTIVITY RESULTS

In 2006 the profit before taxes amounted to LTL 83.6 million. In the Report year the expenses of income tax were LTL 54.4 million, and the benefits of deferred income tax – LTL 30.5 million. The net profit of the company amounted to LTL 59.7 million in 2006.

Revenues

3 680 million kWh of electric power were sold to the consumers during 2006, 6.8 percent more comparing with 3 446 million kWh in 2005.

During the report year the income from sales and services except financial activities was LTL 928.6 million (in 2005 – LTL 846.7 million). The major part of income was from sales of electric energy.

Income, LTL million	2006	2005	Change, %
Income from the sales of electric power	906.1	826	10
Sales of reactive energy	15.1	14.3	6
Income from connection of new consumers	3.56	2.4	48
Other income from operation	3.85	3.96	-3
Total:	928.6	846.7	10

In 2006 income from financial activities was LTL 5.9 million (in 2005 – LTL 4.8 million). The increase of financial income was determined by efficient management of cash flow and active use of short-term investment instruments.

Expenditures

In 2006 the Company's expenditure was LTL 834.1 million while in 2005 it was LTL 786.8 million. The biggest part of all expenditures consisted of electricity purchase and transmission expense (58.9 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, LTL million	2006 m.	2005 m.	Change, %
Purchase of electric power	491.1	451.2	9
Depreciation and amortization	218	212.1	3
Wages, salaries and social security	50.6	57.2	-12
Repair and maintenance expenses	36.6	27.8	32
Taxes except for the profit tax	4.2	3.1	35
Utilities and communications expenses	5.5	6.2	-11
Other	28.1	29.2	-4
Total:	834.1	786.8	6

In 2006 expenses of financial activities were LTL 16.86 million (in 2005 – LTL 16.96 million), the biggest part of it was interest expenses – LTL 16.78 million (in 2005 – LTL 16.76 million).

Non-current assets

The carrying value of the non-current assets decreased from LTL 2 164.9 million in 2005 to LTL 2 079.7 million in 2006. The decrease was caused by the depreciation and amortization of the non-current assets, which were equal to LTL 218 million in 2006.

Investments

In 2006 LTL 139.7 million were invested into development and maintenance of electric power distribution network, 7.5 percent more as compared with LTL 130 million in 2005.

Current assets

The carrying value of current assets has decreased from LTL 289.7 million to LTL 205.2 million during the year 2006.

The current assets of the company in the end of the year , LTL million	2006	2005	Change, %
Inventory	6.52	13.7	-52
Trade and other receivables	83.04	67.47	23
Prepayments, deferred charges and accrued incomes	12.67	9.25	37
Cash and cash equivalents	102.94	199.3	-48
Total:	205.2	289.7	-29

Borrowings

Long term borrowings in the end of 2006 were equal to LTL 347.1 million, short term borrowings – LTL 49.5 million (in 2005 – LTL 388.8 million and LTL 100.4 million, respectively).

Also, in 2006 financial liabilities were augmented by the sums (short-term – LTL 864 thousand, long-term – LTL 6.9 million, total – LTL 7.8 million) paid to AB “Lietuvos energija” for acquired assets. These liabilities will be carried out during the period of ten years.

Financial liabilities for banks in the beginning of 2006 were LTL 489 million, while in the end of the year – LTL 388.6 million (table below shows Company’s financial liabilities for banks in the end of 2006 and 2005).

Lender	Currency	Value in balance sheet (2005 12 31) LTL million	Payback, LTL million	Value in balance sheet (2006 12 31) LTL million
AB bank “Hansabankas”	EUR	17.3	17.3	0
Nordea Bank Finland Plc Lithuania	EUR	34.5	34.5	0
Syndicated loan	EUR	437.2	48.6	388.6
Total		489	100.4	388.6

The Company has credit line contracts with AB bank “Hansabank”, Nordea Bank Finland Plc Lithuania and SEB Vilnius bank. It gives the possibility to borrow LTL 107 million if needed.

KEY RISK FACTORS

Production and sales of electric power in Lithuania is regulated by the state more than other industry branches. Top margins of service prices 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.

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

INFORMATION CONCERNING ENVIRONMENT AND PERSONNEL

The public company “VST” is an electric power distribution 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.

Due to personnel policy which promotes professionalism and loyalty of employees, "VST" AB is attractive to young and qualified specialist. Personnel trainings are largely financed, promotion schemes are successful and adjusted to needs of every level of employees. Furthermore, inner staff selections are organized and training and professional development system is functioning.

The implementation of innovative management principles, customer service quality standards is taking place in the Company. After privatization of the Company, organization structure was optimized, inner procedures were renewed and productivity of employees was improved.

PURCHASE AND TRANSFER OF OWN SHARES

The Company has not purchased own shares before the report period and has not purchased own shares during the year 2006.

SUBSIDIARY COMPANIES, PURCHASE OR SALES OF SHARES

The Company has no shares of other companies. There were no transactions made regarding purchase or sales of other companies' shares during the year 2006.

INFORMATION ON THE BRANCHES OF THE COMPANY

In 2006 the Company had no branch offices or representations.

PLANS AND FORECASTS OF THE COMPANY OPERATION

In 2007 the Company does not plan any changes in the key operation and is going to continue the distribution of electric power by medium and low voltage lines and the supply of electric power to the consumers.

"VST" AB plans to continue reconstruction and modernization works, and improvement of customer service quality.

COMPLIANCE WITH THE GOVERNANCE CODE

The Company discloses its compliance with the Governance Code, approved by the Vilnius Stock Exchange for the companies listed on the regulated market, and its specific provisions in Annex 1.

Chief Executive Officer

28 February 2007



Darius Nedzinskas

Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market

The public company „VST“ (latter in commentaries referred as the Company), following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	YES	
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	YES	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Not applicable	Supervisory body is not set up in the Company.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	YES	
Principle II: The corporate governance framework The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		

<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders’ meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	<p>NO</p>	<p>Supervisory body is not set up in the Company, as after taking into account the structure of shareholders and the regulated activities of the Company, it is considered as not relevant.</p>
<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company’s management bodies.</p>	<p>YES NO</p>	<p>Supervisory body is not set up in the Company. See 2.1.</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company’s chief executive officer.</p>	<p>NO</p>	<p>Supervisory body is not set up in the Company. See 2.1.</p>
<p>2.4. The collegial supervisory body to be elected by the general shareholders’ meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.¹</p>	<p>and YES, and NO</p>	<p>Supervisory body is not set up in the Company. See 2.1. The Company’s Board partly acts according to the Principles III and IV. Further information about compliance with Principles III and IV is given below.</p>
<p>2.5. Company’s management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.²</p>	<p>YES</p>	<p>Provided that “small group of individuals” is taken as a group of not more than two individuals. The Board is comprised of five members. The meeting of the Board has quorum when meeting is attended by at least 4 members of the Board. The resolution of the Board is adopted by a simple majority of members’ votes.</p>

¹ Provisions of Principles III and IV are more applicable to those instances when the general shareholders’ meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company’s board and the chief executive officer and to represent the company’s shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board, should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company’s chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company’s management bodies is applied to the extent it concerns independence from the chief executive officer.

² Definitions ‘*executive director*’ and ‘*non-executive director*’ are used in cases when a company has only one collegial body.

<p>2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>	<p>Not applicable</p>	<p>Supervisory body is not set up in the Company. See 2.1. Non-executive directors are not elected in the Company.</p>
<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>NO</p>	<p>There are no restrictions for Chief Executive Officer to be a chairman of the Board in the Company. The Company thinks that Chief Executive Officer and the Board are executive bodies of the Company and above mentioned restriction would be not appropriate.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.³</p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>YES</p>	<p>The Board of the Company is elected by the General Shareholders Meeting according to the rules prescribed in the Law on Companies of the Republic of Lithuania.</p>

³ Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>YES</p>	
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>and YES, and No</p>	<p>All information about the Board members, the Company considers as necessary to disclose, is provided on the Company's site, in the Company's annual prospectus – report and in the other sources. Company thinks there is no necessity to provide similar information in the Company's annual report, because above mentioned information is already publicly available.</p>
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	<p>NO</p>	<p>According to the Law on Companies of the Republic of Lithuania the issues concerning the Boards' formation is assigned to the General Shareholders Meeting. The Board has no legal opportunities to form it self. The audit committee is not formed.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>YES</p>	<p>There is no formal review to identify knowledge of the Board's members in the Company. However, the Board's members attend special seminars or courses, if there is a necessity.</p>

<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient⁴ number of independent⁵ members.</p>	<p>NO</p>	<p>In the Company's Articles of Association there are no provisions about independent members' elections to the Board. The Company thinks, such provisions are not necessary, as there is enough means provided by the laws to resolve all material conflicts of interest related with a member of the Board. Moreover, issues concerning Boards' formation are assigned to the General Shareholders Meeting and the independent member can be elected to the Board only if one gets enough shareholders' votes.</p>
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⁴ The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

⁵ It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such 	NO	See 3.6.
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<p>relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
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3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	NO	See 3.6.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	NO	See 3.6.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. ⁶ The general shareholders' meeting should approve the amount of such remuneration.	NO	See 3.6.
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance. ⁸	YES	

⁶ It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

⁷ See Footnote 3.

⁸ See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>YES</p>	<p>Provided that independent members of the collegial body are not elected.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹¹. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	<p>YES</p>	<p>Provided that committees of the collegial body are not formed.</p>

¹¹ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	NO	<p>Independent members of the collegial body are not elected, see 3.6.</p> <p>Comities are not formed, as the Company thinks the work of the Board is well organized and efficient enough. The Board itself can properly perform all the functions that, according to recommendations, should be assigned to the comities.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	NO	Comities are not formed, see 4.7.
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory</p>	NO	Comities are not formed, see 4.7.

<p>board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	NO	Comities are not formed, see 4.7.
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	NO	Comities are not formed, see 4.7.

<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	NO	Comities are not formed, see 4.7.
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the 	NO	Comities are not formed, see 4.7.

<p>management bodies;</p> <ul style="list-style-type: none"> • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
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<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p>	<p>NO</p>	<p>Comities are not formed, see 4.7.</p>
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<p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	NO	The Board does not conduct any formal assessment of its activities. Company's activities, as well as Board's activities, are assessed by shareholders' according to the rules prescribed in the legislation.

Principle V: The working procedure of the company's collegial bodies

The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.

<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>YES</p>	
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹².</p>	<p>YES</p>	<p>In order to guarantee an uninterrupted resolution of the essential corporate governance issues, the Board's meetings are held whenever it is necessary.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>YES</p>	

¹² The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>Not applicable</p>	<p>Supervisory body is not set up in the Company, see 2.1.</p>
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>YES</p>	
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>YES</p>	
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.¹³ All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>	<p>NO</p>	<p>Negotiation and performance of transactions, such as transfer of property, investment, pledge and etc. are actions that substantially are treated as executive functions. Whereas management is attributed to the executive bodies, it is not assigned to General Shareholders Meeting.</p>

¹³ The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.</p>	<p>YES</p>	
<p>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance¹⁴. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>YES</p>	
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>YES</p>	
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>NO</p>	<p>The Company thinks that at this time there is no need to organize voting using means of modern technologies. Moreover, such organization of voting would require large amounts of investment.</p>

¹⁴ The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574).

Principle VII: The avoidance of conflicts of interest and their disclosure

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.

YES

7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.

YES

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.

YES

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.

YES

Principle VIII: Company's remuneration policy

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.

<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.</p>	NO	Statement of the Company's remuneration policy is not made, because, according to the Company's opinion, it is irrelevant and not obligatory according to the legislation.
<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	NO	See 8.1.
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors. 	NO	See 8.1.
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	NO	See 8.1.
<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	NO	See 8.1.

<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	NO	See 8.1.
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.7.4. The statement should also state amounts that the</p>	NO	See 8.1.

<p>company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	NO	See 8.1. New issue of shares and determination of minimal emission price, according to the legislation, is attributed to General Shareholders Meeting. All questions concerning issue of the Company's shares are met by General Shareholders Meeting.
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>		
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		

<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		
<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>		

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>YES</p>	<p>Stakeholders can participate in corporate governance in the manner prescribed by law of the Republic of Lithuania.</p>
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.</p>	<p>YES</p>	
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	<p>YES</p>	

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>YES YES YES</p> <p>NO</p> <p>YES YES</p> <p>NO</p> <p>YES</p> <p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p>	<p>All information listed in this recommendation, except information on members of the Company's Board, Chief Executive Officer of the Company and their remuneration and material issues regarding employees and other stakeholders is disclosed in the Company's annual prospectus – reports and Company's announcements. Information on members of the Company's Board, Chief Executive Officer of the company and their remuneration and material issues regarding employees and other stakeholders is disclosed as much as it is required by the legislation. Additional information about the Company is provided on the Company's website.</p> <p>The Company discloses only information related to the Company. Information about whole group to which the Company belongs is disclosed by parent company.</p> <p>Information about the amount of remuneration received from the Company and other income with regard to members of the Company's management bodies and Chief Executive Officer is not disclosed, as in the Company's opinion, it is irrelevant and not obligatory according to the legislation.</p> <p>Information related to stakeholders, the Company considers as necessary to disclose, is provided on the Company's website and in the press releases. The Company thinks that there is no need to disclose the same information in the Company's annual reports or by other special means. Moreover, such discloser is not obligatory according to the legislation.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>YES</p>	

<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>YES</p>	
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>YES</p>	
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>YES</p>	
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>YES</p>	
<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>YES</p>	

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